

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BULLETIN OF THE AMERICAN INSTITUTE OF BANKING

2ND SECTION

SEPTEMBER, 1940

PEOPLE YOU KNOW . . . BANK TAXATION . . . EQUIPMENT . . . REAL ESTATE  
AND HOUSING . . . CONSUMER CREDIT . . . INVESTMENTS . . . BANK METHODS  
BANK FLOOR PLANS . . . SOURCES OF REVENUE . . . INSURANCE . . . BOOKS

# Locking the barn door **F**irst!

An original memo any  
bank with correspondents  
can read with profit.

and Trust Company

Re: Drafts drawn on us.

"Our correspondent, the First Bank and Trust Company of R\_\_\_\_\_, when drawing against balances on our books, is using a draft which can be easily reproduced by unauthorized persons who could operate against the account and know that the false items would not be caught until after the paid voucher was returned to our client.

"The loss would, of course, fall on us, and we feel it necessary to insist upon some protection. Accordingly, we have prepared and now submit herewith two samples of draft form\* which, in our judgment, will operate to protect all concerned.

"Please present the matter in your own way, and urge prompt action, since this account is too important to be left open to manipulation."



Todd  
ROCHESTER NEW YORK  
OFFICES IN ALL PRINCIPAL CITIES



Both forms recommended by this bank are Protod-Greenbac Drafts which offer two-way safety: protection against check counterfeiting, since the paper on which these checks are lithographed can never be purchased in blank; and protection against alteration by an exclusive feature that automatically cancels the check at the first touch of ordinary ink eradicator. Write for cancelled specimen drafts and test them yourself.

## JUST A MINUTE



### QUESTION OF THE MONTH

What big meeting of what national association of what takes place in what famous New Jersey coastal resort this month? . . . Right!

### Number Three

WE HEREBY unveil the third Year Book issue of *BANKING*.

Like its predecessors, it makes no attempt at being encyclopaedic and is not designed along reference lines, although you'll find many reminders of things that happened during the past year.

Much of our reminiscing has been done with the purpose of recalling events that seem to have continuing significance, projecting, so far as possible, the year that has passed into the year that is coming.

### Section Two

THIS MONTH *The Bulletin* of the American Institute of Banking Section of the American Bankers Association appears as the second section of the magazine.

Published quarterly for many years, *The Bulletin* continues to be edited by the Institute and will still come out four times yearly. The format has been changed, but the contents have not departed from the traditional articles and news of interest to Institute members.

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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING — Published monthly by the American Bankers Association, 22 East 40th Street, New York, N. Y., U. S. A. — \$3.00 per year.

Volume XXXIII, No. 3. Copyright 1940. Harold Stonier, Publisher; William R. Kuhns, Editor. Assistant Editors, William P. Bogie and John L. Cooley. Production, August A. Small. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Malcolm Davis, 22 E. 40th St., New York City; Robert W. Kneebone, 230 N. Michigan Ave., Chicago, Ill.; R. J. Birch & Co., San Francisco, Cal.; Stanley Ikerd, Los Angeles, Cal. Washington office, Washington Building, 15th St. and Pennsylvania Ave.; Circulation Manager, Robert J. Stiehl. Subscriptions: \$3 yearly; Canada, \$3.36; foreign, \$3.72; single copies, 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.



## What to do about the money that slips through your fingers

**I**F you're average and human, there's a hole in your pocket.

Through it, day by day, slip pennies, nickels, quarters . . . money spent for inconsequential trifles.

At the time you never miss it. Yet, as time goes on, comes this disquieting thought: "I have earned, in all, a sizeable sum. More than enough, really, to have been building up a backlog for the future—a backlog against the inevitable leaner years. Yet thus far, I have set aside nothing. *Where has my money gone . . . ?*"

### \* \* The First Step \* \*

When you have asked this one question of yourself . . . soberly, thoughtfully . . . you will have reached the stepping-

stone to a more successful future.

Investors Syndicate, through many, many years of experience in helping people accumulate money, has learned this first, this *vital* truth about saving: To make the most of your income—the first step is to find out *where your money goes*.

So—if you make a regular and adequate income, yet still find yourself unable to accumulate money—send *today* for the Investors Syndicate booklet, "Living" Expenses. Not a budget book, but a simple, easy way to find out *where your money goes*.

This is the first—the *all-important* step toward accumulating money! Take this first step today! Mail the coupon with 10c for your copy, to Investors Syndicate now!

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## INVESTORS SYNDICATE LIVING PROTECTION ESTABLISHED 1894

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Please send me your new booklet "Living" Expenses. Enclosed is 10c to cover cost of handling and mailing.

Name . . .

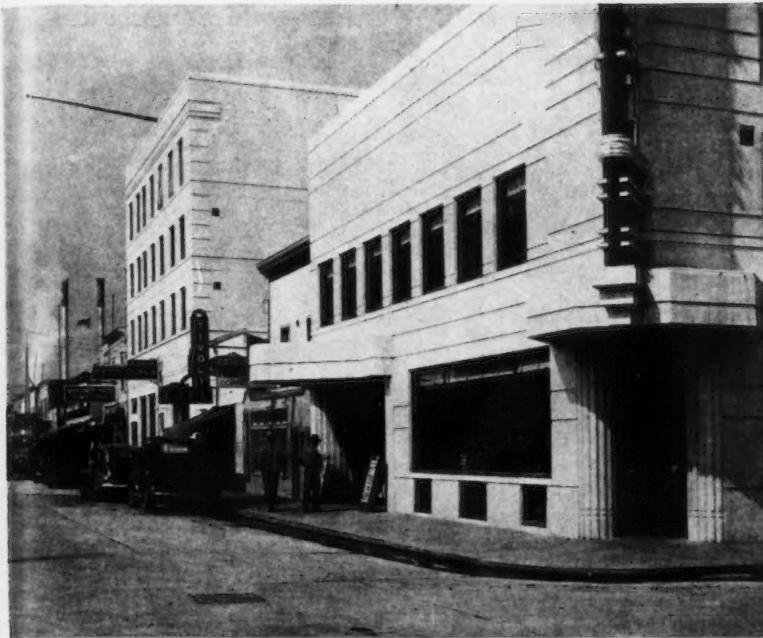
Age . . .

Address . . .

State . . .

City . . .

This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.



A MODERN OUTPOST OF BANKING

The new Bank of Fairbanks, Fairbanks, Alaska, sent us this picture of itself as it looked on Opening Day, July 1, 1940. On the back of the print was written: "Looking down Second Avenue from Lacy Street. The northernmost paved streets in North America, where no night lights are needed for baseball—it's light 24 hours a day during June and July. Where gold is the staff of life, though not its food"

#### JUST A MINUTE—Continued

#### *Old Favorites*

GETTING BACK to the Year Book—you'll recognize a familiar feature or two, notably another revision of our survey of Government financial agencies, as of mid-August. There is plenty of interesting preview material on the 66th Annual Convention of the Association at Atlantic City, September 22-26; and there is an unusually choice assortment of methods, ideas and suggestions on practical banking subjects.

#### *Know Your Community*

THIS HAS been "Know Your Bank" year in the A.B.A. under the presidency of Robert M. Hanes who has stressed the necessity for an intimate knowledge of bank costs and operations.

A logical sequel to that thought, it seems, is "Know Your Community", an admonition which BANKING, with the able assistance of Thomas H. Reed, develops into an interesting discussion in this issue.

The general proposition is the need for analyzing the geographical, financial, economic, social—in fact, all the assets of a community, and for finding a formula to help do the job. Bankers, as leaders in ascertaining and publicizing

their communities' potentialities, have broad opportunities for service.

#### *Apologia*

A WORD IN apology. The article on bank forms, scheduled for this month, has been omitted because of space limitations.

The readers who miss it—and we fear their number is, as the saying goes, legion—can console themselves with the anticipation of next month's issue wherein the series will be resumed.

#### *September 22-26*

THIS ISN'T the place to go into detail about the A.B.A. Convention. The Year Book has a special section devoted to that important gathering and to the part of the country in which it is being held.

Atlantic City, marking the close of President Hanes' highly successful administration of Association affairs, finds the A.B.A. well advanced along the paths of broader personalized service to the banks, particularly in the newer fields that have been departmentalized at 22 East 40th Street during the past year.

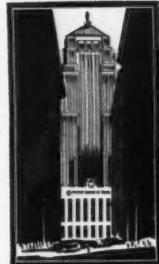
At the Division meetings, the clinics, round tables, and the general sessions of the Convention bankers will meet old

(CONTINUED ON PAGE 5)

## R. G. RANKIN & CO.

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WASHINGTON



## ANNOUNCING

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*Meat Merchant*



*Grocer*



*Automobile Dealer*



*Plumbing Contractor*



*Hardware Dealer*



*Gas Station*



*Doctor*



*Accountant*



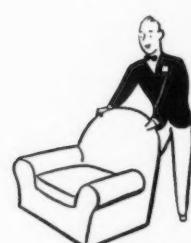
*Electrical Contractor*



*Lawyer*



*Editor*



*Furniture Dealer*

# MIDDLEMEN ALL

The Commercial Bank or Trust Company is a middleman too—in the credit field. Like the Insurance Agent or Broker it renders a vital service—justifying a slight profit by special skill, knowledge and facilities.

\* \* \*

When you deal with your local agent or broker, you are dealing with one of the independent business men of your community—like yourself—a staunch supporter of the American Business System—and the American way of life.

**NATIONAL SURETY CORPORATION**

*VINCENT CULLEN, President*



*Builder*



*Department Store Executive*



*Shoe Dealer*



*Eye Specialist*



friends, get new slants on their business, and talk over the problems that confront them in these days of uncertainty.

There'll be time for play, too, particularly on the post-Convention trip to New York and its World's Fair.

### Business As Usual

A LETTER ON stationery of Burke's Peerage, Ltd., arrived the other day.

It was a very unusual letter: "If Hitler invades England, while our preparations ensure that our united National effort will repel him, we recognize that shipping facilities between this country and America will be somewhat delayed and at times likely to become uncertain.

"Yet it is imperative that our Export Trade be maintained at all times, for it is one of Britain's first lines of defense. That is why we have taken the precaution of building up stocks *in New York* of the new 'Burke's Landed Gentry,' which is of outstanding interest to all Americans of English Ancestry.

"By sending copies of this entirely new Colour Plate Edition to our Warehousemen in New York we have ensured, unquestionably, the rapid and safe delivery of copies to subscribers immediately upon receipt of their orders in New York. At the same time it presents to our American friends and sympathizers an opportunity of contributing to the strengthening of this country's war-time monetary position if they so wish."

The letter went on to tell about the book. A sticker in the upper right hand corner gave the New York address.

Yes, an impressive sales and promotion piece, but also (we decided) a particularly good example of the English trait of taking things in their stride.

### Simplified Defense

WE HAVE never forgotten this timely story told by the instructor in politics and government at the university during the World War. That's a long time ago, but it went about like this:

We build a superdreadnaught.

In front of it we put a dreadnaught.

In front of the dreadnaught we put a heavy cruiser.

In front of the heavy cruiser we set a light cruiser.

In front of the light cruiser goes a destroyer.

In front of the destroyer goes a torpedo boat.

In front of the torpedo boat there's a minesweeper.

In front of the minesweeper we station a submarine chaser and in front of that a submarine.

To stop the submarine we set nets.

Let's build just nets.

Maybe the sequence isn't quite right, but you get the idea. It made a big hit with the class.

The instructor later became a prominent banker. Some day we may ask him whether his suggestion for the simplification of national defense afloat was original or whether he borrowed it to impress the freshmen.

### Idea

A LETTER FROM the trust department of the Phoenix State Bank and Trust Company of Hartford, Connecticut, was dated this way:

"July 31  
Our 127th Year  
1940"

These three lines were typed at the top of the sheet and centered just under the letterhead.

Simple, but rather effective, isn't it?

### AUTHORS

Walter B. French, *left*, who wrote "A Consumer Credit Problem" in this issue, and E. S. Woolley, conductor of the "Ask BANKING" department, visit at a recent state meeting



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TERRITORIAL AND  
MUNICIPAL BONDS

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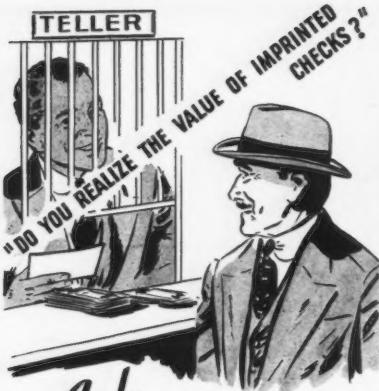
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*Ask*

## A HUNDRED PEOPLE!

The opinions of a hundred people often-time constitute a good composite viewpoint. People like seeing their names in print. Bank customers like having their names printed on the checks they use.

Ask one hundred of your customers who have personal checking accounts: "Have you ever considered the advantages of having your name printed on your checks?" — See what they say.

Note how that question conforms to good selling technique. It is designed to start a discussion, not to close it. If they say "no", it invites you to tell them of the advantages. If they say "Yes", you need only tell them how little it costs under the De Luxe Group Order Plan.

Savings up to 45% when orders for five customers are grouped! Two hundred checks complete — numbered and imprinted — for as little as \$1.00.

Folder No. 13 explains it fully. Write for it.

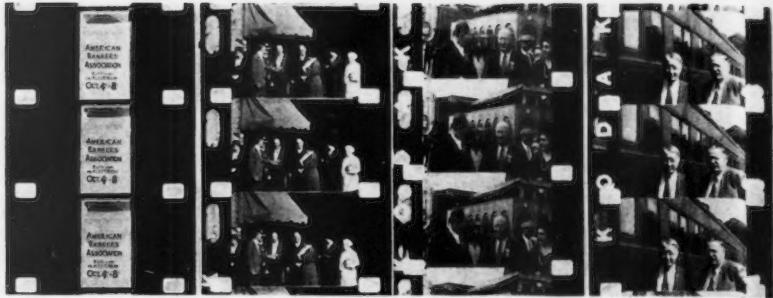
# De Luxe

## CHECK PRINTERS

Lithographers and Printers

Plants at

NEW YORK CLEVELAND CHICAGO  
KANSAS CITY ST. PAUL



ATLANTIC CITY, 1931

J. A. Mermis, president of The First National Bank, Hays City, Kansas, took a movie camera with him to the American Bankers Association Convention at Atlantic City back in 1931. The above stills were made from his film

### Ha! Ha!

THE REPORT made by the Jokes Editor in the August number looked pretty well in print. This discovery, together with the number of folks who profess to have found enjoyment in our informal Department of Humor, prompts further trespass into the kingdom of chuckle, and we print several anecdotes (some of them labelled "true") submitted by Gentle Readers.

### Balance

"A BARBER WHO was working on me," writes CHAFEE W. SHIRK of the Kentland (Indiana) Bank, "asked me what I did and on being told that I was in the banking business had this to say:

"I just got a statement from my bank and from the looks of it they are in just about the same shape I am."

"Upon my question as to what he meant he continued:

"Well, they have two columns of figures, one marked assets and the other liabilities, and they both add up to the same figure. So I guess they don't have anything."

"Maybe this story is old, but coming to me as it did, I got a kick out of it. The fellow meant just what he said and I had to do some explaining to set him right."

### He Knew Her

A WOMAN FROM a nearby town came into the bank and presented a check for payment. The teller didn't know her and said she would have to be identified.

Apparently the word "identified" was too much for the customer, who continued to demand the money on the check. She was told that inasmuch as she was a stranger to the bank, it would be necessary for her to bring in someone whom the bank knew.

The woman, irate, grabbed the check and strode toward the street. At the door she brushed by a man entering. No

sign of recognition passed between them, although the teller knew that they lived in the same village.

When the man came to the window the teller asked if he knew the woman.

The man beamed and replied; "Yes, by gosh, she's my wife. Ain't she a hummer!" — JOHN T. SILSBY, Merchants National Bank, St. Johnsbury, Vermont.

### Customer Relations

A MEMBER OF a Ladies' Aid Society in a small town went to the bank to deposit, as she told the banker, "some aid money".

Unfortunately the banker thought she said "egg money", and said:

"Remarkable, isn't it, how well the old hens are doing these days?"

And then he couldn't understand why the woman gathered in her passbook and hurried from the bank! — G. H. HARMAN, Bank of Montreal, Victoria, British Columbia.

### Taking No Chances

AN OLD NEGRO had just paid the last instalment on a small farm and the realtor said: "Well, Uncle Joe, I'll make you a deed to the farm now that it's been paid for."

"Boss," the darky replied, "if it am all de same to you, I wish you'd give me a mortgage to de place."

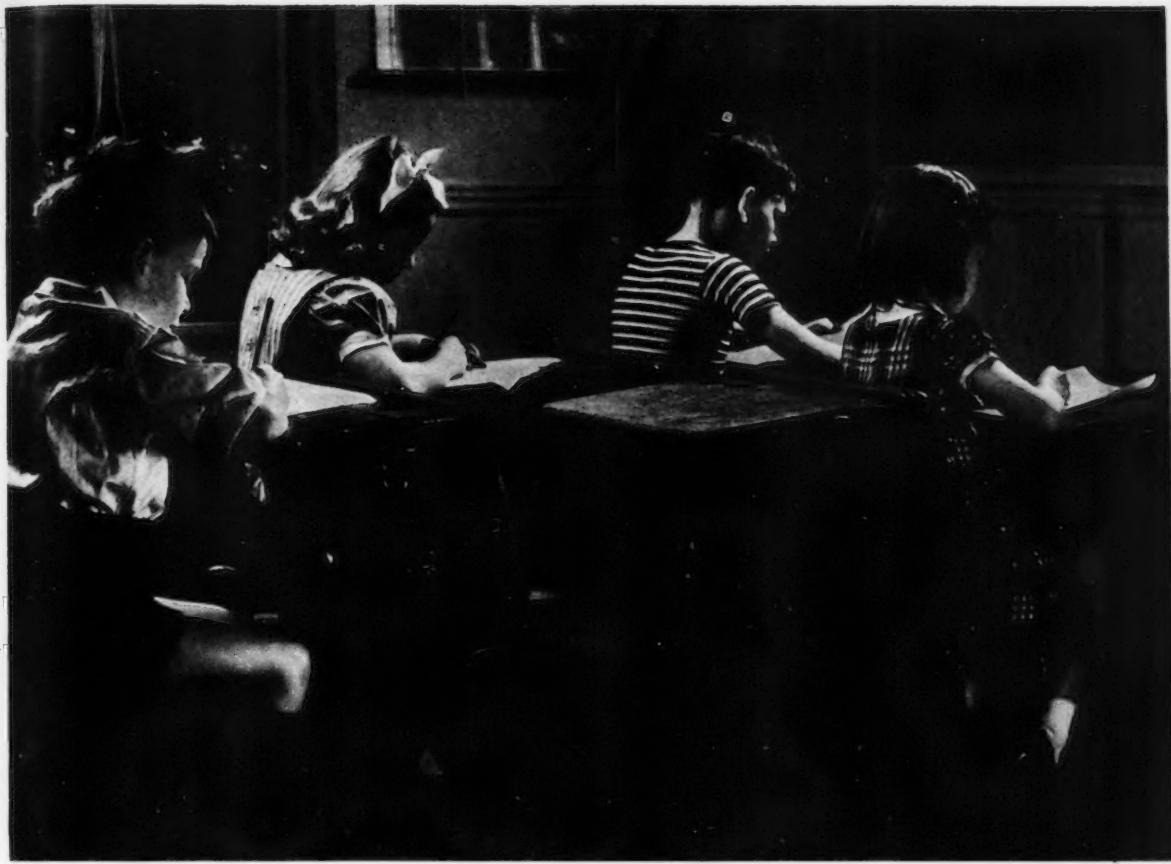
The real estate man, surprised, suggested that Uncle Joe didn't seem to know the difference between a mortgage and a deed.

"Well, mebbe not," said the Negro, thoughtfully. "But I owned a fahm once an' I had a deed and de Fust National Bank had a mortgage, and de bank got de fahm!" — WILLIAM T. WILSON, Director, Public Relations Council, American Bankers Association.

### Exhibit A

SIGN OBSERVED in the lobby of a western bank: "If you think our tellers

"Unforeseen events... need not change and shape the course of man's affairs"



### BOBBIE WILL NEVER BE LATE AGAIN...

A motorist forgot that boys playing "cops and robbers" seldom remember the real dangers around them. So Bobbie won't be at school today...or tomorrow...or ever.

Bobbie might have been your son. He might have been any one of the three thousand boys and girls whose lives will be cut short by automobile wheels this year.

So that these tragedies may become fewer, The Maryland teaches safety to motorists and children... by means of

posters, pamphlets, lectures and advertisements such as this. These efforts have helped. But more than that is necessary.

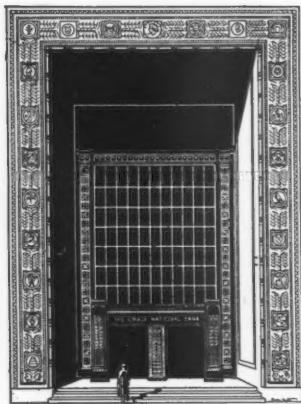
We need *your* help...the help of every man and woman behind a wheel. Drive carefully... *extra* carefully within city limits. Remember that little heads rarely give thought to danger... and that little feet turn quickly. Maryland Casualty Company, Baltimore.

## THE MARYLAND

*The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland Casualty agents and brokers can help you obtain protection against unforeseen events in business, industry and the home.*

*Broaden customer service with Chase correspondent facilities*

## TRADE OPPORTUNITIES in LATIN AMERICA



THE attention of manufacturers and merchants throughout the United States today is focused on the possibilities for increasing trade with Latin-American countries.

The Chase National Bank maintains branches in several leading cities in the Caribbean area, and has long established relationships with financial institutions in every trade center in Latin America. The Foreign Department of the Chase at the head office in New York thus has a timely and well-rounded knowledge of business and financial conditions in these countries.

The benefits of these facilities and first hand connections are available to Chase Correspondent Banks.

### THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

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MADISON AVENUE  
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ONE EAST  
57TH STREET



Member of the  
Federal Deposit  
Insurance Corporation



NATIONAL UNION  
FIRE INSURANCE  
COMPANY

PITTSBURGH, PA.



THIRTY-NINE YEARS  
OF  
HONORABLE DEALING

## JUST A MINUTE—Continued

are uncivil you should see our cashier." —R. H. BURNS, Merrill Mortgage Company, Bangor, Maine, who says: "Monte Jones sprung this one at The Graduate School of Banking at New Brunswick."

### Checking Up

AN OLD man who had requested his entire balance stood outside the teller's window carefully counting his money. Finally he handed it back to the teller, saying: "It's all right. I just wanted to make sure it was all here." —DANA V. HUMPHREY, Swampscott, Massachusetts.

### O. K.

THIS ONE really happened in The Plainfield (New Jersey) Trust Company, reports Louise B. Moyer, director of publicity and new business for that institution:

A Christmas Club depositor who had made eight deposits in his account came in one morning and asked the teller to close his account and give him the balance. The teller explained that it would be necessary to have an officer "out front" O.K. the transaction, and the man left the window.

Returning presently, the depositor announced: "He says it's O.K."

The teller, however, couldn't find the proper initial on the book and asked the man to which officer he had gone.

"Why," was the response, "I went straight over to that big fat cop across the street on the corner and he said it

### FROM THE OUTSIDE

Here is the exterior of the South Carolina National Bank which occupies the building that once housed the Charleston Branch of the Second Bank of the United States. A brief story about the bank and a picture of its interior appeared in the August issue



# COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$56,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, in the main, consists of purchasing self-liquidating accounts, and extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 285 depositary banks located in principal cities throughout the country.

Latest published financial statement and list of depositary banks will be mailed upon request.

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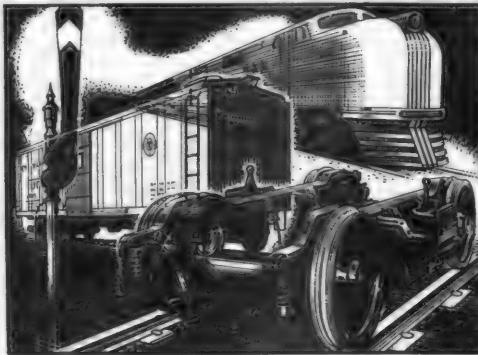


## HAVE YOUR CREDIT FACILITIES Kept Pace with Modern Developments?

Every month new banks are entering the sound and profitable field of financing automobile purchases. Chubb & Son's new insurance program enables such banks to have for themselves and to offer their customers full and automatic insurance protection on bank-financed installment purchases. We urge you to investigate without delay.

*For full details about this economical form of insurance, see our agent in your community, or write us for his name.*

**CHUBB & SON.** Managers  
Federal Insurance Company and Associated Companies  
90 JOHN STREET NEW YORK  
Offices in: CHICAGO ATLANTA MONTREAL  
Correspondents throughout the World



## CLOSE TO CHICAGO'S BASIC INDUSTRIES

• Chicago is not only the railroad capital of the United States; it is also an important center for the production of railway equipment and supplies. Both are fields in which the American National Bank and Trust Company has demonstrated its ability to serve capably

and well. Therefore, if the business problems of your depositors involve transactions with either of these basic Chicago industries, we invite you to discuss this institution's complete correspondent facilities with our officers.



**AMERICAN NATIONAL BANK  
AND TRUST COMPANY**  
*of Chicago*

LA SALLE STREET AT WASHINGTON

Member Federal Deposit Insurance Corporation



If we believe all we hear

was all right for you to give me the money."

### Variation on Above Theme

THE FOLLOWING incident actually occurred recently in Savannah, reports Henry C. Smith of the Liberty National Bank and Trust Company of that city:

Two good-looking young ladies walked up to the collection window to ask for a blank draft. When it had been filled out they asked for the amount of the draft in cash. Politely informed that they couldn't cash the draft, which was drawn on the mother of one of the girls in a distant city, the other young lady asked: "You mean I'll have to find a policeman to sign it before I get my money?"

The teller narrowly avoided hysterics, but managed to refer his customers to a bank officer who straightened out their financial problem.

### Precedent?

THIS ISN'T a joke.

One of the gentlemen to whom we sent \$2 for a joke printed in our August issue apparently has a very active and sensitive conscience.

Writes he:

"After reading the jokes (?) in the current issue of your very fine magazine, I do not blame your Jokes Editor for resigning his position.

"While I certainly appreciate the check which you so kindly sent to me, I cannot make myself believe that the 10 lines allotted to my joke (?) were worth the amount of the check.

"The best way out of this predicament is to find a worthy recipient for the check . . ."

And so our good reader handed his check to a vice-president of his bank, requesting that it go to the Red Cross relief fund.

BANKING



This is Borrower Jones who, in our August cartoon, was scared away by the bank, even though he wanted a loan. However, he will soon return to these pages—and we think he'll get his money. Watch for him.

### *“Questions of the Month”*

WE'RE TRYING something new beginning with the October issue.

In the hope of making BANKING a more useful "living textbook", a new section, "Questions of the Month", will be added.

It is to be edited by Dr. Eugene E. Agger, professor of economics at Rutgers University, Associate Director of The Graduate School of Banking, and head of the money and banking faculty of New York Chapter, American Institute of Banking.

Dr. Agger will formulate each month a series of questions based on material in that issue. The object will be to bring out the important points and to assist in analyzing and interpreting the material in each number. The pages on which the answers can be found will be given.

Supplementing the questions, Dr. Agger will survey the high lights of banking developments for the month.

We'd appreciate hearing what you think of our plan.

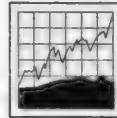
### *Birthday Cakes*

FOR The Litchfield (Connecticut) Savings Society, which celebrated its 90th anniversary during the week of July 21.

For the Portland (Oregon) branch of the Canadian Bank of Commerce, established 75 years ago as a branch of the Bank of British Columbia. That institution was absorbed in 1901 by the Canadian Bank of Commerce.

For the Yoakum (Texas) National Bank which has completed 50 years of community service in South Texas.

For THE BANK OF RIPLEY, Ripley, West Virginia, which on August 10 entered its golden anniversary year.



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# The National Prospect

*The following information has been gathered for BANKING by two of its frequent contributors from Washington—ALBERT W. ATWOOD and HERBERT M. BRATTER. Mr. ATWOOD was the author of "Financial Statesmanship" in the August issue of BANKING. Mr. BRATTER, who attended the Pan American Conference in Havana last month, usually compiles the Washington material on this page.*

## On Being Degolded

*Washington, D. C.*

To the already intricate problem of gold another sharp twist has been given by German victories. For German publicists suggest that the world is about to be "degolded", and that the United States will find itself the sole possessor of a worthless horde of yellow metal in a world that trades on a different basis. But actions speak louder than words; the Nazis have regarded whatever gold they could seize as their most precious booty. Germany does not want to see possession of most of the world's gold by another nation nullify in the least degree her military victories; if Germany owned the gold mines of South Africa and Canada she might view the whole question differently.

True, Germany's territorial control after the war may be so extensive that gold will have but little value in large parts of the world. On the other hand no one can be sure that our gold will not have an even greater purchasing power then than now. Meanwhile there is one clear cut fact about the "gold problem": no ultimate solution is possible until international trade is resumed on a peacetime basis. Gold has come to this country in abnormal and excessive quantity because of European unsettledness; it will be redistributed on a safer, more equitable basis only when some measure of order and stability again reigns in that continent.

Meanwhile what is gained by continued prohibition in this country of the traditional right of private citizens to own gold and convert paper currency into it? The repeal of this most curious and never fully explained prohibition might well increase confidence in the future value of the dollar and in the Government's ability to prevent inflation.

## Going with the Wind

IT IS ONLY GUESSWORK at best but most students of the subject feel at the moment that a sweeping German victory would result in a very considerable curtailment of our foreign trade. It is not expected that victorious totalitarian nations will allow their external trade to follow free and natural lines. More specifically, Germany might cut down the number of ports with which we could trade and confine a large part of Europe's shipping to her own merchant marine. Still more serious is likely to be the low living standards in western Europe; most of our exports have gone to countries well up in wealth, income and productive capacity.

Still more clouded in the misty future are two great related questions: what will be our political relations with Germany after the war—that is, on what basis can we safely trade with her, assuming her victory; and, second, can domestic purchasing power make up for an almost total loss of foreign trade, assuming the worst? The second question can be answered in a hundred different ways and depends upon a hundred different factors. Probably the answer is Yes, provided we have a full flowering of willingness to work, discipline and organizational and managerial capacity.

## The Havana Conference

THE PAN AMERICAN CONFERENCE in July reaffirmed the intention of the American republics to maintain their political independence of Europe. However, Latin American producers are conscious of their permanent and underlying economic dependence upon European markets. Argentina, for example, evidenced extreme reluctance to play other than a strictly neutral rôle, *vis-à-vis* Germany and England. "The spirit is willing, but the flesh is weak."

The main accomplishment at Havana was the endorsement of a mechanism designed to obtain prompt naval or military action in relation to present European New World possessions. The machinery set up makes it possible for us to take prompt action, as we would in any case, and yet not subject this country to the criticism that might attend unilateral action on our part.

The Conference's action relative to Fifth Column activities was distinctly short of what the United States would like in the way of cooperation. In the economic sphere it did little concrete.

Whatever is done in the Western Hemisphere to keep Europeans out, whether military or economic, must be done largely at the expense of the United States Government.

## Latin American Ties

THE FUTURE of our foreign trade is very much dependent on the outcome of the war in Europe. Should Germany control Europe, we shall be forced to modify our trade radically. Naturally close attention must be given to our future economic relations with Latin America, where temporarily the problems of raw material producers have been intensified by the loss of access to European markets.

The announcement at the White House this Summer of plans for a huge cartel to provide the New World with united marketing facilities *vis-à-vis* Europe proved premature. Both in Latin America and at home the idea was adversely received, although on different grounds.

Washington's underlying idea is to lend money to any hard-pressed Latin American countries against surplus raw materials stored in the country of production. As an initial effort to that end the Administration introduced the bill to expand the Export-Import Bank's resources by \$500,000,000, which in Jesse Jones' words



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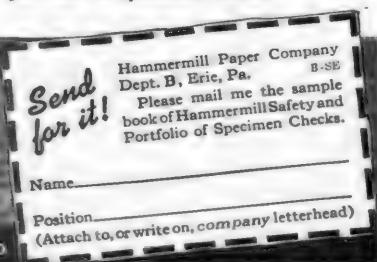
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is "a lot of money". Obviously, if we were to sponge up unmarketable Latin American wheat, meat, cotton, coffee and oil without at the same time arranging that no further surpluses of these commodities be exported, we would be only pouring money into a bottomless pit. It is hoped that adequate safeguards will be included.

The Export-Import Bank plan (like the as yet undisclosed efforts to work out cooperative Pan American cartels for individual commodities) is described as an emergency measure. But whenever we decide to cease the subsidies, there will be plenty of recrimination, stimulated by Europe's propagandists. For, stopping the subsidies we will be stigmatized as unfriendly.

### *An Old Friend*

**THE FARM PROBLEM**, of course. It does one's heart good to read the statement of a leading economist of the Department of Agriculture that "the best hope for the farmers for the near future lies in an increase of employment in the cities of the United States." Considering that non-farm greatly outnumbers farm population it would seem logical that the only solution of the "farm problem" derives from industrial growth and health.

To this writer it is fantastic to suppose that it will ever be possible to tax industry, or the consumer, enough to make agriculture prosperous, but a substantial pick-up in employment and consequent purchasing power is bound to react favorably. To what extent it will offset export losses and whether these international dislocations will prove permanent is beyond the power of human prediction.

### *Where from Here?*

**EVEN WHILE DEPLORING** the occasion it is only realistic to admit that highly favorable results are likely to flow from the defense program, for the time being at any rate. Ultimate results are, of course, less certain. Will we pay eventually in costly overexpansion, renewed depression, inflation? For the nearer future rearmament is counted upon to solve the problem of recovery, as the editor of *BANKING* remarked in the August issue; or, as aptly stated in the August circular of the National City Bank of New York, this is the new industry capable of absorbing large amounts of capital and labor for which people have been looking during the past ten years.

Let's be practical about it. There is almost sure to be a rise in employment and prices, the first an unadulterated

## Statistics for Washington

AS TIME PASSES, businessmen may expect more Government requests for statistical information in connection with the defense program. Unfortunately there is no way of anticipating the Government's statistical needs. Some trade associations, anxious to be helpful are collecting data voluntarily. In any such cases it is well to check with the National Defense Council in advance, as, thereby, unnecessary effort may be spared.

blessing and the second desirable within reason. Excessive profits will be restricted by taxes, but there is every reason to expect that profits, although small, will be more widely distributed than has been the case during the past ten years. To maintain the right balance among the different factors—wages, living costs, prices and profits—will not be easy, but at least it will be a gain to have wages and profits more extensively spread and prices at least above ruinously low levels.

We shall probably be forced to develop new industries, but serious challenges to our ingenuity and enterprise are sorely needed to tone up and harden a country grown unduly soft. In the 1914-18 war we created our own chemical industry, and this time it may be necessary to find substitutes for rubber and tin. Already one senses an awakening of new energies and ambitions, a stretching, as it were, of a rather slothful giant.

### Are Fundamentals Sound?

DR. MARCUS NADLER, professor of banking and finance, says that on the whole "the basic fundamentals in the United States are sound." This sounds slightly tautological since it is difficult to conceive of fundamentals being other than basic. But the professor makes his meaning unmistakably clear; the expression is a strong one, and a lot of facts bear it out. There is no extended speculation or inflation in the stock or commodity markets; the banking and mortgage situations are far stronger than a decade ago. The Federal debt is deplorably large, but private debts are very moderate.

Speaking of the Federal or "national debt", why should the Government continue to extend its credit in so many

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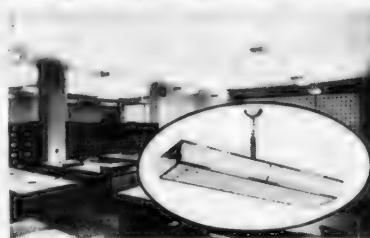
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different directions? With expanding industrial activity, credit for housing and agriculture should be obtainable from normal private sources. The Government will have enough to do to handle its defense program for the next few years. It might simplify matters to reexamine the necessity for such vast extensions of Federal credit as are found in some of the existing lending agencies.

### No Economy in Sight

ONE OBVIOUS BENEFIT of the defense program should be an increase in employment with a consequently reduced necessity for make-work projects, pump priming and WPA methods of providing employment. Mere shovel leaning in solving the unemployment problem ought soon to face a deserved liquidation. It is to be hoped that Roger W. Babson was right when he said that "Hitler, without knowing it, is helping to clear out artificial economic devices in this country."

There is no sign yet of any real effort to get rid of these "artificial economic devices"; perhaps it is too early. One fears that no political party or administration has the requisite courage. These great, loose spending schemes are too much of a vote getting asset to throw overboard easily, but common sense indicates that they must be trimmed to the bone before long. And a 10 per cent horizontal cut for all Federal outlays, Senator Byrd to the contrary, notwithstanding, is not the way to do it. Some expenditures should not be cut at all and others should be cut 100 per cent.

### Taxation—The Pessimistic View

RARELY has this writer encountered a more cynical or down-in-the-mouth attitude among a number of his friends than is taken by them toward the Administration's excess profits tax measure. A Washington representative of important business and financial interests gives his views thus: "Is it time to run to the ultimate in taxation? An excess profits tax in absence of war is hard to justify, except for political expediency. Otherwise there is no reason to hurry the passage of such a tax; there will be no excess profits in 1940. Besides, we have already had very large increases in taxes on 1940 incomes. Few people realize what 1940 rates are going to do to them, even before any excess profits tax is passed.

"The very willingness of business to pay heavy taxes is being taken advantage of, is being abused. It is the same old New Deal game, under a new mother Hubbard—formerly the 'emergency',

now 'defense'; they always have some excuse for extracting the last dollar out of business."

An economist of a large New York bank calls attention in a private memorandum to the proposed Connally amendment to the 1940 revenue act, which certainly went the ultimate in sheer confiscation. "This combination of higher taxes and increased investment activities by the Government may be by all odds the most dangerous attack yet made on the system of private enterprise," says the economist. "It is the surest way to arrive at a collectivist or totalitarian state."

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E. L. LALUMIER, Secretary

In a recent article in the New York *Herald Tribune* Professor Willford I. King of New York University, says that "to prevent the possibility that the 'economic royalists' might make an extra profit of a hundred million or two, the New Dealers are perfectly willing to keep plane production on a small-scale basis, thus sacrificing several billions of the taxpayers' money."

#### Taxation—Less Pessimistic

ONE OF THE GENTLEMEN quoted added that the New Deal is more interested in getting revenue than it is in promoting defense, a statement smacking of partisan feeling rather than of calm economics. For the excess profits tax has not taken final shape in law at this writing, and its severity of application depends much on the type of amortization allowed the taxpayer. And as for the Connally amendment, it did not pass.

Never have we had a finer asset than the present attitude of business toward the defense situation. There is an eager desire to cooperate, and a willingness not only to forego excessive profit but even to pay much higher taxes than at present. It would, of course, be a tragedy of the first magnitude if the New Deal, always extreme in its viewpoint and with its energy glands still over active, should pass a tax bill that actually destroys or even hampers the fast expanding and life-giving productive energy of the country.

#### The Nature of Income

IT ALWAYS SEEMS to be some kind of emergency when Congress passes a revenue measure; that is, Congress is always in a hurry. But let us hope that before too long Congress will take time to define more equitably the nature of net income. There is nothing which business so much needs as that. Probably the whole system and method of Federal taxation would be fairer if taxpayers were allowed to average their earnings and losses over a five-year or similar period. The present system is based on bites which are much too small.

#### Tapping the Banks for Defense

THE NATIONAL DEFENSE COUNCIL has been seeking ways to prevent undue price increases and harness idle bank credit. Representatives of banks, law firms, underwriting houses, comptrollers, and the Army and Navy have met with Leon Henderson and the staff of the Advisory Commission and agreed upon a form of government contract which

(CONTINUED ON PAGE 95)

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# Ten Books of the Year

**I**N keeping with the Year Book spirit, BANKING lists ten outstanding books that appeared between September 1939 and August 1940.

They were selected from the year's banking, business and finance titles, on the basis of general interest and importance to bankers. They are not offered as the ten outstanding books; but we do feel that they constitute a good cross section of the year's book crop.

Here is the list:

*Atkins, Paul M.* BANK BOND INVESTMENT AND SECONDARY RESERVE MANAGEMENT. Bankers Publishing Company, Boston and New York, 1940.

*Ayres, Leonard P.* TURNING POINTS IN BUSINESS CYCLES. The Macmillan Company, New York, 1939.

*Blakey, R. G. and Blakey, G. C.* THE FEDERAL INCOME TAX. Longmans, Green and Company, New York, 1940.

*Keynes, J. M.* HOW TO PAY FOR THE WAR. Harcourt, Brace and Company, New York, 1940.

*Lyon, L. S., Watkins, M. W., and Abrahamson, Victor.* GOVERNMENT AND ECONOMIC LIFE. Brookings Institution, Washington, D. C., 1939, 1940. 2 vols.

*Moulton, H. G., et al.* CAPITAL EXPANSION, EMPLOYMENT AND ECONOMIC STABILITY. Brookings Institution, Washington, D. C., 1940.

*National Bureau of Economic Research.* STUDIES IN CONSUMER INSTALLMENT FINANCING. New York, 1940. 3 vols.

*Nugent, R. C.* CONSUMER CREDIT AND ECONOMIC STABILITY. Russell Sage Foundation, New York.

*Prochnow, H. V., and Foulke, R. A.* PRACTICAL BANK CREDIT. Prentice-Hall, Inc., New York, 1939.

*Snyder, Carl.* CAPITALISM THE CREATOR. The Macmillan Company, New York, 1940.

AND now for our regular report on some of the new books.

*Current Policies in Personnel Relations in Banks.* By HELEN BAKER. Industrial Relations Section, Princeton University, \$1.

FIVE years ago the Section published a report on "Personnel Programs in Banks"; the new pamphlet summarizes subsequent developments in this field, or from 1934 to 1939, and then studies in some detail the personnel work currently being done by banks. Forty-eight



BANKING'S Ten Books

of the 50 banks that supplied data for the 1935 study also contributed to this one, so comparisons are possible.

Broadly speaking, the report shows that the five years have been a period of progress. Bank personnel organization "appears to be moving gradually from the status of an employment office to a broader and higher position as an advisory and coordinating staff", but there is need in many banks for further study of the personnel setup.

There have been few changes, says the survey, in the employment methods and policies of the group of banks studied, the most common procedure being "careful selection of employees by a central employment office." On the other hand, "more progress has been shown in the field of job classification and salary administration than in any other one personnel activity." Whereas five years ago only a few banks had salary programs based on job analysis, more than a third of those studied now use that method.

Cooperation with the American Institute of Banking continues to be the usual educational activity of banks; the principal developments in this field "are in the training provided by individual banks."

As for financial security, banks "compare favorably with the most progressive industrial companies in their plans

for helping employees and their dependents maintain their economic status against the hazards of illness, old-age and death."

As a whole, banks have felt to a lesser degree than industry "the impact of labor legislation and other outside influences."

Although they are making progress in personnel management and policies, the survey finds that in certain other directions many banks "lag considerably behind the standards accepted widely by industry."

"In particular," it says, "bank management may profit from a study of employee and supervisory training, grievance procedures, explicit statement of personnel policies, and methods of securing company-wide uniformity in all personnel practices."

## Some War Books

*World Finance, 1939-1940.* By PAUL EINZIG. Macmillan, New York, \$2.75.

THIS is essentially a war book, since it deals to a large extent with war finance. But it does not go beyond the earliest months of 1940, which is some time before Blitzkrieg, and therefore it cannot appraise the consequences of German conquests.

Dr. Einzig reviews financial developments during the last pre-war months

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and the first few war months, covering in the former section such matters as peace hopes and financial appeasement efforts. In other chapters he deals with the war measures taken by France and Great Britain last September, making a special and critical study of British exchange control and the "black market" in sterling, including the "end of the Sterling Bloc as an international unit." The economic blockade of Germany and economic aspects of neutrality are also considered.

In conclusion, Dr. Einzig summarizes prospects for the next twelve months, and the next ten years. His near term horoscopy, unfortunately, has been altered by events that could hardly have been foreseen even six months ago.

*German Economy, 1870-1940.* By GUSTAV STOLPER. Reynal & Hitchcock, New York, \$3.

THE ECONOMIC development of modern Germany, as surveyed by a German who came to this country in 1933, clearly shows the close interrelation between politics and economics during the 70 years since her unification. It discloses what Dr. Stolper calls "an amazing continuity of the underlying trend, the ascendancy of the state over the economic life of the nation."

The book outlines Germany's advance toward industrial greatness, her fortunes during the World War and the Weimar Republic, and the beginnings and growth of the National Socialist movement and the Third Reich. All this makes worthwhile background reading.

*War Propaganda and the United States.* By HAROLD LAVINE and JAMES WECHSLER. Yale University Press, New Haven, Conn., \$2.75.

PUBLISHED FOR the Institute for Propaganda Analysis, this book takes propaganda to pieces, shows what, where and why it is, and endeavors thereby to sharpen our judgment so that we can sift the chaff from the grain. The book goes into considerable detail in describing propaganda agencies and activities during the present war.

*What Will Happen and What To Do When War Comes.* By ELMER C. WALTER, C. NORMAN STABLER, JACK FOSTER, W. W. CHAPLIN and MALCOLM LOGAN. Edited by Larry Nixon. Greystone Press, New York, \$2.25.

FIVE EXPERIENCED newspaper men take separate looks ahead to depict for the layman the conditions that will exist when, as and if Uncle Sam fights. Your property, your business, your job, your living requirements, your person,

and your share of the bill, are the various phases of personal prospects and preparedness examined by these competent journalists. As might be expected, the book is well written; it is also interesting and, it hardly need be added, "timely."

*Government and Economic Life.* By LEVERETT S. LYON, VICTOR ABRAHAMSON and ASSOCIATES. Brookings Institution, Washington, D. C., \$3.50.

THIS is volume 2 of a work on the development and current issues of American public policy, wherein that policy is interpreted in relation to our economic life. Chapters were prepared or drafted by various members of the Institution's staff.

The present book continues the study of governmental implementation and regulation of private enterprise, begun in volume 1, and then takes up government as an actual producer of goods and services.

It considers foreign commerce, public utilities, transportation, agriculture, bituminous coal, petroleum and natural gas, foods and drugs; under governmentally organized production, it examines public relief, social security, and such free services as educational facilities, hospitals, highways, etc. Each chapter reaches conclusions about each of the many forms of governmental relationship to economic life.

## Briefer Mention

*Security Analysis.* By BENJAMIN GRAHAM and DAVID L. DODD. McGraw-Hill, New York. Textbook edition, \$4; trade edition \$5. A revision of a popular textbook first published in 1934. It takes into account such developments as SEC regulation, low interest rates, and "the reaffirmance of Wall Street's primary reliance on *trend*", and is otherwise modernized.

*Proceedings of the Conferences on Bond Portfolios 1940.* (New York State Bankers Association, New York City.) In January, February and March of this year the association held a series of five weekly meetings in each of eleven cities, at which bank investment problems were considered. The total attendance at these meetings was 3,855 bankers.

Five major subjects are covered: bank portfolio management, U. S. Government and other high bonds as bank investments, the banks' problem of sub-standard bonds, a practical approach to bond analysis, and the money market. The various papers are illustrated with charts and tables.

JOHN L. COOLEY.

BANKING

# The Condition of BUSINESS

**T**HE OUTLOOK. Rising activity in commerce and industry, with lagging profits, sums up fairly well how business feels about the autumn outlook, after one year of war.

Last September industry was too optimistic and now perhaps it is not optimistic enough. One obvious reason is a realization that the Government is under the painful necessity of taxing the hide off business in order to pay the rearmament bill.

**DIFFERENT IN 1918.** In this respect our whole position is quite a bit different from our previous experience with defense spending twenty-some years ago. At that time there was no debt limit to worry about, the Treasury could borrow money with an easy conscience and public opinion was tolerant of large profits. There is much greater likelihood today that profits will be severely curtailed and that defense taxes will get the lion's share of what is left.

The war abroad and our own efforts to arm dominate the business picture more than is mathematically justified. Purchases of fighting goods by foreign belligerents have been a drop in the bucket, and not a very big drop

at that. Our defense expenditures have been tremendous on paper but will take a long time to consummate.

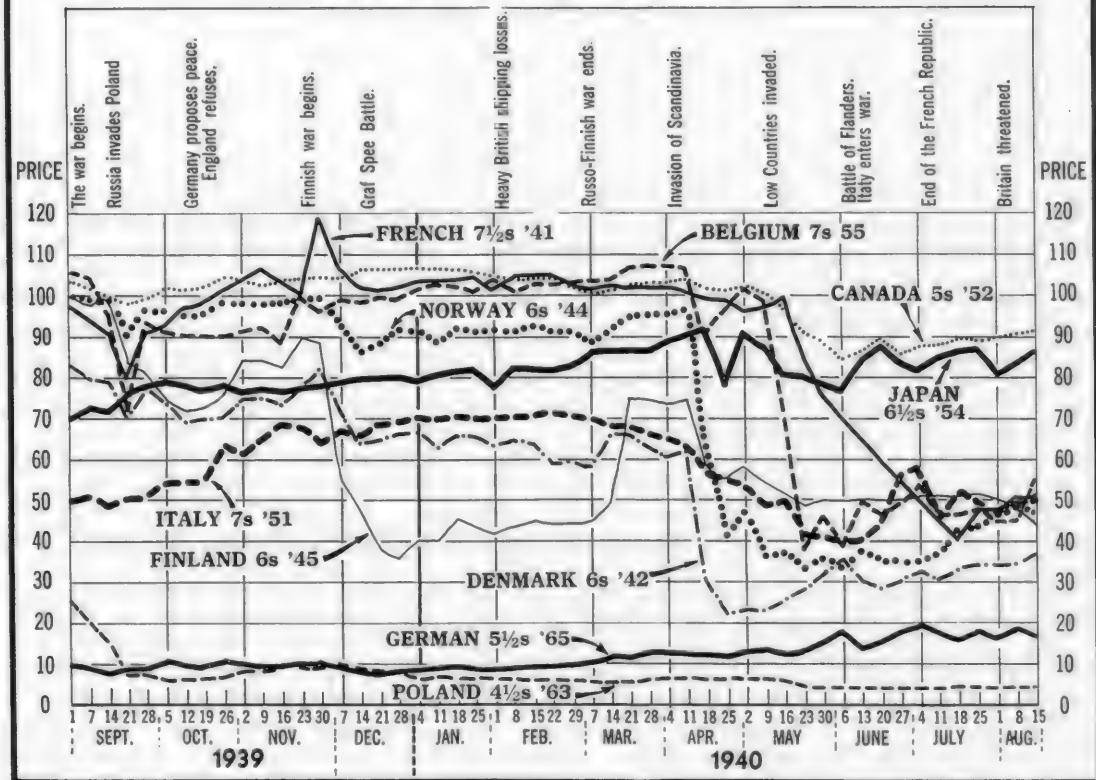
Up to the present time our own huge peacetime production of goods and our normal domestic demand has been chiefly responsible for whatever recovery has taken place.

This is borne out by careful inquiry among bankers and business leaders throughout the country. The opinion prevails overwhelmingly that the effect of the defense program is not a factor of great importance thusfar.

**CROSS INDEX.** BANKING's index of the general trend of business, obtained from a poll of 3,000 bank directors and bank presidents in all sections of the country, indicates a continued upward trend, being higher than at any time in two years.

Fifty-seven per cent of those polled for the purpose of this summary said that business was getting better, 36 per cent found conditions about static, and 7 per cent reported a decline. The month before, 46 per cent said that the direction was up, 41 per cent reported that their respective enterprises were holding their own, and 13 per cent reported an unfavorable trend.

## PRICES OF FOREIGN BONDS



The composite cross index figure this month stands at 89, compared with 78 last month.

**TEN LEADING PROBLEMS.** While thus far we do not feel many direct economic consequences of the war this will not be true for long because almost every major business problem awaiting solution at the moment has its roots in the conflict abroad. Here, for instance, are 10 outstanding questions and every one of them is either born of the war or has a definite wartime background.

1. **GOLD.** What is the present and future of gold as a monetary standard? The threats of gold-hungry Axis powers to establish a sort of prohibition or 18th Amendment against the use of gold has caused some worry in this country. The chances are that any attempt to suppress the metal will only increase its desirability.

2. **NATIONAL DEBT.** Can we add billions of deficits to billions of deficits and come out with a balanced budget? The answer to this cryptic question is a mixture of psychology and higher mathematics, to wit: a billion in Government spending is said to generate several billions in "national income," because the dollars spent for tanks and planes are spent again for hats and movies. If 20 billion dollars is spent for defense in the next five years, according to the classical pump theory, our national income will be increased by 40 or 50 billions almost like magic.

With a present income of 70 billions, anyone can work it out from there on without any trouble and reach any desired figure. This formula is a very good one, although it never seems to work because of people; and how did we do without it so well and so long?

3. **INFLATION.** Almost everyone expects some degree of currency and credit inflation before this troubled era is over. The possibility is linked closely to several other unsolved problems including that of huge, idle bank reserves and the lack of any effective brake in the hands of the Reserve authorities, should an inflationary trend ever start.

4. **FOOD FOR EUROPE.** This problem is serious economically, socially and politically. Our present price level is based on abundance of food, which does not exist if we take into account the greatly curtailed supplies abroad.

5. **POST-WAR TRADE.** Business must prepare right away to face a new world of international competition when fighting stops. The Havana Conference and various plans for dollar diplomacy are only straws in the wind.



Two reminders of the earlier World War

6. **HOUSING.** A shortage of dwelling places is one inevitable result of the expansion of industrial facilities and the decentralization of plants. The census may show a surplus of more than a million and a half unoccupied houses but they are not where they are needed.

7. **TAXATION.** One thing we can be sure of is that a rising curve of business activity will mean more money for the revenue collector. Canadian indexes show a sharp upward trend for the first war year but this should not be confused with prosperity.

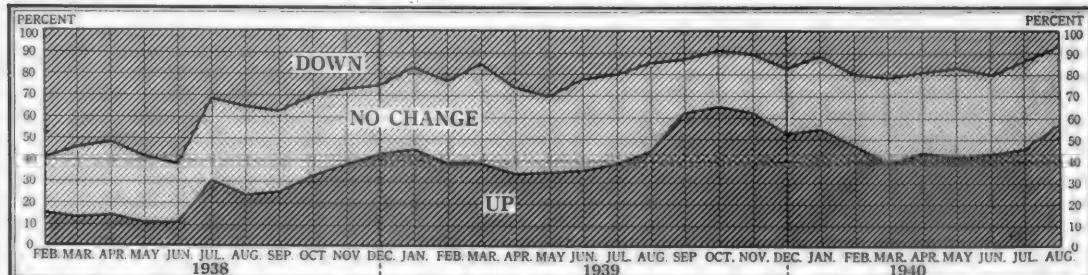
8. **PLANT CONSTRUCTION AND DECENTRALIZATION.** This may turn out to be a very important economic result of the war. A trend toward decentralization has been in progress for years and if the present situation provides an additional impetus this is all to the good. Decentralization would help answer many questions like metropolitan congestion and small town decay.

9. **SKILLED LABOR.** The training of workers in some fields is going to be a bigger problem than putting up factory buildings for them to work in. There is much unused plant space available but trained men are lacking. The unemployment rolls might take care of some of this need but the problem would still be serious.

10. **GOVERNMENT IN BUSINESS.** It might be said finally that the solution to all present problems depends largely on a return of normal, intelligent relations between the Government and its producing, business population. This is obvious, of course, like suggesting that your thumb would be all right if you just stopped hitting it with a hammer.

WILLIAM R. KUHNS

The complete record of BANKING's cross section poll



# NATIONALS IN ALL DEPARTMENTS



"In 1937, we installed a National Central Control and Proof Machine in our bank," writes P. A. Dahlstrom, Assistant Cashier of The Merchants National Bank of Topeka, Kansas. "With the use of this machine we have been able to speed up greatly the operation in our proof department and to get a much more even flow of work to all departments. This has been accomplished with a substantial reduction in personnel, and we consider the purchase of this machine the best investment we ever made in equipment.

"Since that time we have installed National equipment for all of our bookkeeping applications. The NCR Window Posting Machine used in our Savings and Personal Loan Department has given us a real control in addition to speeding up the operation and making a much better record for our customers as well as ourselves. We do all of the posting in our Commercial Department on two National Posting Machines, and use a National Typewriting-Bookkeeping Machine on our General Ledger and Liability Ledger.

"All of this equipment, along with many helpful suggestions and proper installation by your representative, has increased the efficiency of our operation to a very great degree. It is with pleasure that we recommend National Machines to any bank interested in improving their methods."

There is a National Machine for every phase of banking work. The local National representative will be glad to demonstrate them to you. Phone him today.

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Cash Registers • Bank-Bookkeeping Machines • Typewriting-Bookkeeping Machines  
Posting Machines • Postage Meter Machines • Check-Writing and Signing Machines  
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THE NATIONAL  
**Shawmut Bank**  
BOSTON

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

SEPTEMBER 1940

## The Year and the Outlook

SEPTEMBER—



Share trading booms. (Above, N. Y. S. E., Sept. 1)



Above, Germans to Poland. Below, gold to U. S.



### *Fateful September 1939*

SEPTEMBER 1939 will take its place in history as the month when war finally came to Europe.

On August 20 Chancellor Hitler, flushed with his diplomatic triumph in securing an economic and military working agreement with Russia, demanded the City of Danzig. Poland rejected the demand. At day-break on the morning of Friday, September 1, GERMAN TROOPS, previously massed at a score of strategic points, CROSSED THE POLISH BORDER and began to converge on Warsaw by truck, armored tank and plane.

\* \* \*

The Poles, unlike the Austrians and the Czechs, refused to lay down their arms and permit the Germans to win another bloodless victory. Furthermore, Poland's two powerful allies, GREAT BRITAIN AND FRANCE, MADE GOOD THEIR PROMISE TO GO TO WAR IN HER BEHALF. On September 3, both countries broke off diplomatic relations with the Reich.

Within a week New Zealand, Australia and Canada had followed. Italy announced her neutrality on September 2, while Russia's response was to call up her reserves "in view of the threatening nature of the situation". President Roosevelt called a SPECIAL SESSION OF CONGRESS for September 21, for the purpose of repealing the arms embargo contained in the Neutrality Act of 1938.

\* \* \*

On September 15 it was announced that Russia and Japan had reached an armistice in their conflict in Outer Mongolia and had set up a commission to settle their border dispute. Almost before the ink was dry on that agreement RUSSIAN TROOPS MOVED INTO POLAND from the North for the purpose of "protecting the Soviet's interests". On September 17, its army shattered and its country overrun, the Polish government fled to Rumania. Three days later WARSAW SURRENDERED. The first phase of the Second World War was over.

In the United States the STOCK MARKET WAS EXCITED by the war news and transactions doubled the August total. On September 5, the first full day of trading following the Labor Day holiday, 5,932,000 shares changed hands on the New York Stock Exchange, a figure larger, with only two exceptions, than any reached during the great bull market of 1929. Stock price advances, while they amounted to some 22 points in the averages, were confined largely to the first half of the month. COMMODITY PRICES ALSO ROSE sensationaly, not only on the

## OCTOBER—



FROM ASSOCIATED NEWSPAPERS

Ambassador Grew in Tokyo protested Jap attitude toward U. S. (Left, "Japanes, as a Race, Are Nearsighted." — Medical Note")



Under-Secretary Sumner Welles before Pan-American body which adopted "Declaration of Panama"

## NOVEMBER—



President signs Neutrality Act

exchanges (Moody's index soared from 140.1 to 172.8), but at corner grocery stores throughout the nation.

GOVERNMENT BONDS were the one conspicuously weak spot in the market. In the first few days of uncertainty they FELL 6 TO 10 POINTS under their June all-time highs, but by the end of the month prices had been stabilized. The Federal Reserve Board helped allay apprehensions by liberalizing rediscount privileges for loans secured by Governments, and the regional banks contributed by reducing rediscount rates further and by intervening to support the market. Meanwhile PRODUCTION JUMPED SHARPLY. Steel production advanced 12 per cent, freight car loadings reached the highest level since November 1937, and the Reserve Board index jumped from 102 to 110. Net gold imports were \$326,000,000, which was largely responsible for the establishment of a new peak for EXCESS RESERVES OF \$5,330,000 at the end of the month.

## October

Having "persuaded" Estonia to accept a "mutual assistance" pact in September, Russia next turned to the other Baltic states, which apparently had been allotted to her "sphere of influence" in her private understanding with Hitler. LATVIA FELL into line on October 5, and LITHUANIA five days later, but Finland proved less amenable, despite the ominous massing of 700,000 troops along its border.

In the West the warfare was spasmodic and confined generally to the sea, the air, the radio.

\* \* \*

Less peaceful were our diplomatic moves in the Far East. On October 19 official and diplomatic circles were rocked by a SPEECH OF AMBASSADOR JOSEPH C. GREW, in Tokyo, in which he asserted frankly that American opinion deeply resented the "bombings, indignities and manifold interferences with American rights in China at the hands of the Japanese."

LABOR NEWS featured domestic developments in October. Meeting in Cincinnati, the American Federation of Labor at its annual convention attacked the National Labor Relations Board. The Labor Board and Vice-president Garner were the chief targets of John L. Lewis, presiding over the CIO's rival convention.

\* \* \*

Recovery in trade in October verged on the spectacular. STEEL PRODUCTION BROKE ALL MONTHLY RECORDS at 5,393,000 tons—exceeding that of June 1929 by a margin of about 2 per cent. The Reserve Board's business index jumped to 120, against 111 in September and 103 in August. Railroad freight loadings were the largest since October 1930, and the country's export surplus of merchandise was \$117,000,000, the biggest for that month since 1929. Stock market activity, however, dwindled to pre-war proportions, and in the bond market the drop was even greater.

## November

NOVEMBER saw the war carried to the seas. Early in the month Germany confounded the British and the

BANKING

world by introducing something new in warfare, MAGNETIC MINES dropped by parachute from airplanes.

Great Britain retaliated by announcing a POLICY OF SEIZING GERMAN EXPORTS, as well as imports. France immediately announced that she would pursue a similar course.

\* \* \*

RUSSIA denounced her non-aggression pact with Finland and on November 29 broke diplomatic relations and INVADED THE TERRITORY OF ITS LITTLE NEIGHBOR.

The National Labor Relations Board continued to make the headlines at home when on November 8 the Circuit Court of Appeals upheld that body and ordered Republic Steel to reinstate 5,000 workers discharged during the strike of 1937, and pay them lost wages of \$7,500,000. Elsewhere on the labor front, Thurman Arnold, Assistant Attorney General, listed the PRACTICES OF LABOR UNIONS which, in his opinion, would bring them within the purview of the ANTI-TRUST ACT.

\* \* \*

On November 27 Secretary Morgenthau came into the market for new long term money for the first time in 11 months with an offer for cash of \$500,000,000 11-9 YEAR BONDS bearing 2 per cent; the issue was OVER-SUBSCRIBED 12 TIMES. In spite of the fact that business, measured by the Reserve Board index, reached a level almost identical with the peak month of all time, June, 1929, the stock market was dull, and prices actually declined 5 points.

## December

The war's most dramatic event to date occurred on December 13, when Britain's far flung sea power at last caught up with the German POCKET BATTLESHIP *Graf Spee*. The German ship was spied off the coast of Uruguay by three British cruisers and a running fight ensued. The German battleship, badly hurt and with 30 of her crew dead, was forced to take temporary refuge in the harbor of Montevideo. Four days later she was deliberately blown up by her commander, Captain Hans Langsdorff, who then took his own life.

\* \* \*

The current emphasis on EXTENDING THE ANTI-MONOPOLY CAMPAIGN TO LABOR was stressed in three events this month. On December 2 Attorney General Murphy, following up last month's discussion of the subject by Thurman Arnold, bluntly informed President William Green of the AFL that the Justice Department was merely recognizing Supreme Court decisions in taking the position that labor unions are liable under the terms of the anti-trust laws. Anti-trust laws were further tightened two days later when the Supreme Court ruled that the enactment by Congress of the agricultural marketing agreement, the Capper-Volstead Act and other farm measures did not give the production and distribution of farm products immunity from the anti-trust laws. On December 9 a Federal grand jury in Detroit handed down indictments against 35 individuals representing manufacturers, contractors and labor for a conspiracy to monopolize the tile business in that area.



Finland is invaded by Russia

## DECEMBER—



NLRB hearings open before Smith Committee

Trucks and other shipments go to the Allies



1940's approach is watched with misgivings



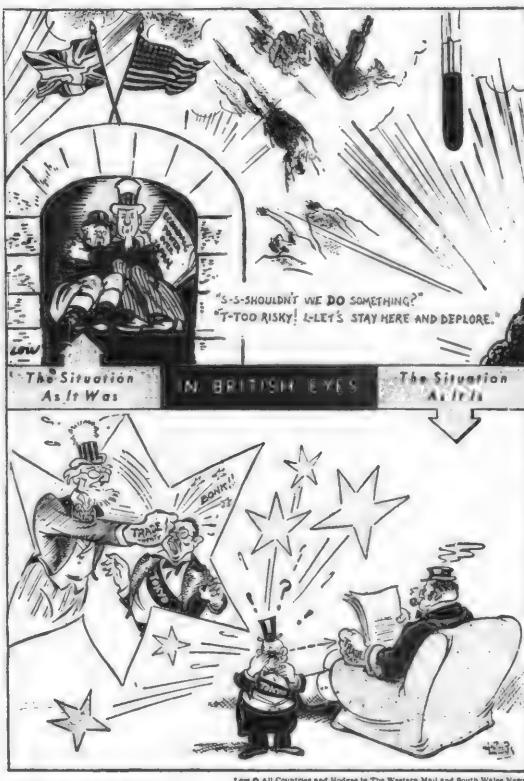
THOMAS IN THE DETROIT NEWS AND CARLILE IN THE ST. LOUIS GLOBE-DEMOCRAT

## JANUARY—



A new session  
of Congress  
convened

The U. S.  
ended its  
trade agree-  
ment with  
Japan. (Be-  
low, two Brit-  
ish cartoons)



## FEBRUARY—

Labor leaders continued noisy warfare



The RISE OF BUSINESS ACTIVITY TO UNPRECEDENTED HEIGHTS as a result of the "war boom" which began in November was the most conspicuous feature of the month in the financial field. The Federal Reserve index went to 128, or well over its best level of 1929. Commodity prices rose, but stocks were quiet. Gold imports, at \$451 millions, were the largest for any month since April.

## January

THE FIRST SHAKE-UP in British war councils since the beginning of hostilities was announced January 5 when Prime Minister Chamberlain dropped from his cabinet Leslie Hore-Belisha, the War Secretary, and Lord MacMillan, Minister of Information. The FINNS MORE THAN HELD THEIR OWN throughout the month, and on the 27th reported that the Russians had suffered their "most disastrous defeat of the war" north of Lake Ladoga.

\* \* \*

In a MESSAGE delivered personally before the opening of the regular session of CONGRESS on January 3 President Roosevelt voiced this nation's hope of remaining at peace, but at the same time recommended measures for defense and means of cooperating with other nations "to encourage the kind of peace that would lighten the troubles of the world".

Federal expenditures of \$8,424,000,000 were forecast for the fiscal year 1941 in the President's ANNUAL BUDGET MESSAGE, with a possible minimum deficit of \$1,716,000,000.

That the United States meant to hold AN ECONOMIC THREAT OVER THE HEAD OF JAPAN as a means of keeping that country in line was indicated on January 23 when A. A. Berle, Jr., Assistant Secretary of State, said that with the expiration of the commercial treaty between the two countries on January 26 commercial relations, while unchanged, would continue "on a day to day basis".

\* \* \*

A marked RECESSION IN INDUSTRIAL ACTIVITY occurred in January, with the Federal Reserve index declining from 128 to 119. Durable goods production was particularly hard hit and steel output, which had risen to 94.4 per cent of capacity in December, fell off to 77.3. New high levels were reached in bank reserves, holdings of government securities and deposits, with EXCESS RESERVES MAKING A NEW PEAK AT \$5,590,000,000.

## February

ON THE NEW YORK STOCK EXCHANGE on February 2 a SEAT SOLD FOR \$48,000, the lowest price since 1918, when one sold at \$45,000.

With the primaries getting under way and with the national conventions looming up ahead, the political pot in the United States began to come to a very definite simmer. Ten important leaders of the A. F. of L. ushered in the month with a vigorous ATTACK ON THE NEW DEAL, declaring that it had "divided labor into warring camps, depressed capital, left the nation with 10,000,000 unemployed and embittered relations between workers and employers".

Another thrilling chapter in the war was written in mid-February in a Norwegian fjord when sailors from the BRITISH DESTROYER *Cossack* swarmed over the GERMAN VESSEL *Altmark*, prison ship of the ill-fated *Graf Spee*, killed four of her crew in hand-to-hand fighting, freed 326 British seamen held aboard the floating concentration camp and carried them off.

\* \* \*

On February 28 the Securities and Exchange Commission started the long-awaited program of corporate simplification and geographical integration under the "DEATH SENTENCE" PROVISION of the Holding Company Act.

Industrial production continued to recede rapidly in February, the Reserve Board's INDEX DROPPING 10 POINTS, to 109. Commodity prices moved within a narrow range and showed little change from the end of January. GOLD HOLDINGS of the country crossed the \$18,000,000,000 level.

### March

THE RUSSO-FINNISH WAR came to an end early in March.

In allied and neutral nations criticism of the inaction of the former ran high, and in Paris created a government crisis. On March 20 Premier Daladier resigned and PAUL REYNAUD was asked to form a government.

On March 18 the Senate overwhelmingly adopted the HATCH CLEAN POLITICS BILL by a vote of 58-28. The result was made possible by a coalition of Democrats and Republicans.

\* \* \*

UNITED STATES STEEL CORPORATION, reflecting the unexpected boom in business in the latter half of 1939, VOTED AN EQUALY UNEXPECTED DIVIDEND of a dollar a share on its common stock.

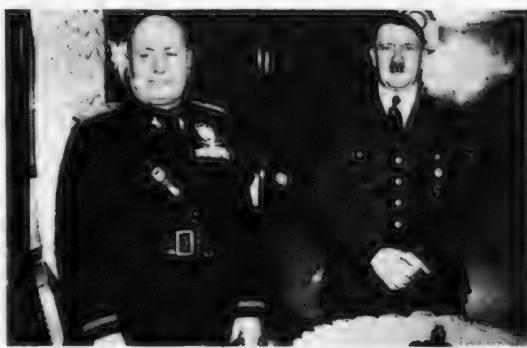
Business continued to recede during March, although the rate of the decline was much less marked than in February, and there were several important exceptions in industry to the trend. Principal of these were the aviation, machine tool, shipping industries. Net gold imports jumped sharply, to \$460,000,000. WEAKNESS IN THE POUND STERLING featured the financial markets, the price dropping almost to \$3.45 toward the end of the month as the British Exchange Control took steps to dry up the demand for free sterling.

### April

THE THEATER of the European war shifted over night in April to the Scandinavian countries of DENMARK AND NORWAY. On Sunday, April 7, the British and French announced that they had mined three areas off the Norwegian coast.

The world awakened the next morning to find Denmark overrun with German troops and other troops on their way by ship and by plane to Norway. Copenhagen, unable to defend itself, capitulated, but in Norway the country resisted the invasion. The British Navy rushed to the support of the Norwegians. Not only did Germany continue to land troops in Norway, but it found the opposition none too formidable.

### MARCH—



Hitler and Mussolini meet at the Brenner



Welles visits Europe. (Above, a British cartoon)

### APRIL—



We counted noses for the 16th time

Nazis took Denmark without a battle



EUROPEAN



Tactics and treachery took Norway

EUROPEAN

MAY—



Blitzkrieg began on the western front

ACME



The National Advisory Defense Commission was named

The New York World's Fair reopened

EUROPEAN



CUSHING

On April 1 more than 120,000 enumerators began the DECENTNIAL CENSUS required by the Constitution. On April 5 the Administration won an important legislative victory when the Senate, by a vote of 42 to 37, passed a resolution to extend for another three years the President's power to negotiate reciprocal trade treaties.

\* \* \*

The BUSINESS RECESSION in the United States LEVELED OFF in April. Unwonted activity in the war industries was the chief supporting influence. EXPORT TRADE FELL OFF substantially for the first time since the outbreak of war, with exports dropping \$27,000,000 to \$324,000,000.

## May

Maintaining its reputation for perfect timing, HITLER'S MILITARY MACHINE STRUCK AT DAWN ON MAY 10, at the very moment when Britain was gripped in a cabinet crisis over the conduct of the war in general and the campaign in Norway in particular. The crisis quickly dissolved in the face of the new German peril as WINSTON CHURCHILL MOVED INTO CHAMBERLAIN'S POST and as the Allies rushed to the defense of the Low Countries.

The Netherlands' DEFEAT was encompassed at the end of the fifth day of fighting.

The BLITZKRIEG THEN SWUNG INTO BELGIUM, and names began to appear in the news which were well remembered from the German invasion of that country in the World War.

On May 18 Reynaud shuffled his cabinet and brought in Marshal Petain, the man who had saved the Allies at Verdun in the last world war. They summoned GENERAL MAXIME WEYGAND, who had been Foch's right-hand man in organizing the defense of Paris.

\* \* \*

On April 27 the BELGIAN ARMY COLLAPSED. There ensued one of the most brilliant and doggedly courageous rear guard actions in military history, as 400,000 MEN using every boat that could put out to sea from England made their way BACK TO SAFETY.

As for the UNITED STATES, attention turned swiftly and automatically to NATIONAL DEFENSE. On May 14 the President let it be known that he would shortly make a request for heavy additional defense expenditures, and when, three days later, he presented to a joint session of Congress a request for \$1,182,000,000 there was no question what the answer would be. On May 28 the President revived the wartime COUNCIL OF NATIONAL DEFENSE to coordinate the activities of industry, labor, transportation and finance.

The REACTION OF AMERICAN MARKETS to the German Blitzkrieg was very sharp. STOCKS BROKE BADLY, on the theory that the war, a temporary support for industry here, would be over much earlier than had been expected.

## June

THE DRIVE toward Paris began on Wednesday, June 5, Hitler's troops striking along a 120-mile front from the Channel to Laon with 1,000 dive bombers, 2,300 tanks, 15,000 motorized vehicles and upward of 2,000,000

men. On the 10th, Premier Mussolini of Italy, deciding that at last the time was ripe to be in at the kill, announced his decision to go to war against "the plutocratic and reactionary democracies".

On June 14 Paris echoed to the trampling feet of an invading army for the first time since the Franco-Prussian War in 1871.

\* \* \*

On June 2 Grigore Gafencu, pro-allied Foreign Minister of Rumania, gave way to Ion Gigurto, friend of Germany, and less than three weeks later King Carol announced the formation of a totalitarian government along the lines of Hitler's. On the fifteenth and sixteenth, first Lithuania, and then Latvia and Estonia, agreed to set up governments friendly to Russia and to permit the passage of Russian troops. On June 27 Russia also forced Rumania to bow to her ultimatum demanding two large slices of territory—Bessarabia, once a province in Imperial Russia, and Bukovina, part of the old Kingdom of Austria-Hungary.

In the United States the Administration pressed further its defense preparations. On the first day of the month the President asked an additional \$1,000,000,000, power to call all or any part of the national guard, and authority to hire \$1 a year men to speed defense.

\* \* \*

On June 20 the President announced the appointment of two Republicans to his cabinet—Henry L. Stimson as Secretary of War and Colonel Frank Knox as Secretary of the Navy. Senator Burke of Nebraska introduced a bill calling for the drafting of the man-power of the nation between the ages of 18 and 65.

At the Republican National Convention which met at Philadelphia June 24, Wendell L. Willkie, president of the Commonwealth and Southern Corporation, won the nomination in one of the most remarkable political conventions ever held in this country.

\* \* \*

June witnessed the greatest gold flow in the world's history. June 4 saw a record movement for a single day at \$286,000,000, and for the month the net import was \$1,164,000,000, a figure three times that of May and more than twice that of any other month on record. The Treasury during the month offered  $3\frac{1}{4}$  year 1 per cent notes in exchange for \$352,000,000  $3\frac{3}{8}$  per cent bonds maturing during the month. Domestic business reports in June showed little influence from events abroad.

## JUNE—



Republicans nominated Willkie and McNary



Ford's potential plane production was discussed

Budget Director Bell testified on defense taxes



WIDE WORLD

## JULY—

The French Republic died. Petain (saluting) took over



## July

JUNE WITNESSED the collapse of France's military system before the German onslaught; July witnessed the collapse of the Third Republic itself. The National Assembly on July 10 voted 569-80 to go totalitarian.

While the world awaited Germany's expected drive against England, one of the strangest and most moving sea battles in the naval history of the world occurred on Wednesday, June 3, off Oran, Algeria. It was not a battle between German, or even Italian ships and those of England, but between the ships of England and her late ally. According to the British, the French had given their word that before they sought an armistice with Germany—if they ever did—they would first deliver



The Democrats broke a tradition

EUROPEAN

## AUGUST—



Col. Lindbergh and Gen. Pershing spoke for two opposing factions of U. S. defense thought



The war's new phase began over the cliffs of Dover



BRITISH

their fleet to the British. But France failed to live up to this agreement, and the British took, according to Prime Minister Churchill, the only course that was left open to them in the circumstance.

The final chapters in the absorption of the three little Baltic states of Lithuania, Latvia and Estonia were written in July. On July 21 the three countries "proclaimed themselves part of the Soviet Union".

In this hemisphere the Havana Conference assembled on Monday, July 22, and although its enthusiasm was less than vociferous, adopted, at the end of a week's session, the United States' sponsored plan for the collective trusteeship of possessions in this area whose sovereignty might be endangered.

\* \* \*

As most persons had expected him to do, the President accepted the nomination for a third term, something which had never previously occurred in American history.

The report of the Treasury at the end of the fiscal year 1940 revealed the total debt at \$42,967,000,000. The Treasury, in a surprise move, announced on July 9 the offering of \$650,000,000 of 16-14 year 2 1/4 per cent bonds for cash. As July ended it was becoming obvious that the outstanding fact of the business situation was that the country was "starting out," as the National City Bank of New York observed, "to build a vast new industry, an armament industry." Excess reserves reached the unprecedented total in mid-July of \$6,880,000,000.

## August

THE MONTH began with increasing pressure against Britain. As Germany stepped up her AIR ASSAULT ON THE BRITISH ISLES, ITALY on August 6 LAUNCHED HER NORTH AFRICAN OFFENSIVE.

JAPAN, announcing plans for a totalitarian state at home, spoke of a foreign policy that would EXTEND HER INFLUENCE, creating "a new order of Greater Asia."

On August 9 GREAT BRITAIN WITHDREW HER TROOPS FROM CHINA. There were several "incidents" involving Japanese nationals which caused friction between Tokyo and London.

By August 15 BLITZKRIEG AGAINST BRITAIN was in the stage of great aerial activity.

\* \* \*

At home, mid-August found CONGRESS DEBATING CONSCRIPTION and the Senate had passed the bill authorizing MOBILIZATION OF THE NATIONAL GUARD AND THE ORGANIZED RESERVES for a year's training.

Meanwhile, PHYSICAL PREPARATIONS FOR DEFENSE WERE MOVING SLOWLY and efforts to expedite actual work were undertaken in and out of Congress, which also had on its hands the problem of MORE TAXES.

The national political campaign got under way this month as candidates made their "acceptance speeches".

The Federal Reserve Board revised its method of computing the industrial production index, which by August 11 was approaching the all-time peak of last December. The new index has an average of 1935-39 as 100 instead of 1923-25, and gives more weight to newer industries.

# Know Your Community

THOMAS H. REED

*Dr. REED, a widely known writer and authority on municipal government, has written the following article in consultation with BANKING and at the request of BANKING's Editor.*

**T**HE keynote of the coming industrial expansion is decentralization. The keenest kind of competition between communities for the new plants called into being by the defense program is inevitable.

The normal tendency of industry to leave congested centers for cheaper land, lower taxes and better employment conditions in small places will be enormously accentuated. Essential defense industries are, as far as possible, to be kept away from the exposed seaboard. New shipyards will necessarily go to coastal cities but other new plants will be distributed through the interior. Concentration anywhere is to be avoided. At last, the small towns of the hinterland are to get a break. The race to take advantage of it will have thousands of entries and the pace will be hot.

The construction and operation in any town of a new factory, flying field, training camp or proving ground will bring in new labor or put to work idle labor already there. New homes will be needed to house the newcomers. In any case, rising payrolls will start merchants' stocks moving and provide a wider market for the produce of neighboring farms. At the same time, equipping the plant and providing it with power, fuel and raw materials, may speed the wheels of a dozen other industries. It would be contrary to human nature if communities which have been stagnating for a decade did not tumble over one another in their eagerness for a share in such benefits.

**B**UT, steady! How about the long view? Banks will still be holding mortgages in your community long after the present defense program has been completed. There is, in the present situation, *danger* as well as *opportunity*. Permanent prosperity will not necessarily follow the establishment of a new plant for the manufacture of war materials. When the emergency is over, such a plant may slow down or close up, leaving the community to absorb a fresh dose of unemployment and a new shock to its morale. This is almost sure to happen if the new industry is not one suited to the location, social character and economic circumstances of your community. Joining heedlessly in the race for everything you can get, you may draw from the grab bag something to be sorry for ever after.

You may, if you go it blind, as some localities are now doing, get a very bad bargain indeed, especially if you are tempted to donate a site and remit taxes on the new plant. An industry which will take up the slack in local unemployment is one thing and one which must import large numbers of low-paid workers is another. It may

cost more to provide low rent housing for these workers, supply them with the usual municipal services and educate their children than the new payroll will be worth, net, to the community. You may get an industry which will do such things to sewer pipes as will necessitate the reconstruction of the whole system; one which uses so much water as to exhaust the available supply and threaten all future growth; or one which blights everything in reach with its stifling effluvia. Chance, too, may throw your way a new industry whose employees will introduce a discordant element in a previously homogeneous community to the destruction of its industrial and social peace. All of these things have been known to happen to communities all over the country in their past efforts to catch new industries on the fly.

**O**N the other hand, as bankers you naturally want your community to get as much long-time advantage out of the industrial upswing as sound planning and energetic promotion can together secure. You are, for one thing, going to have to pay your share, in Federal taxes, of the cost of national defense. To have to pay and watch others reap the profit is hard for anyone. As patriotic citizens you want your community to do its part by helping to produce the essentials of defense which it is best suited to produce. You certainly do not want the defense program to suffer because your town does not use its special advantages while other less favored places do the job at greater expense and with poorer results.

For your town to do its bit—to get what is good for it and the country and avoid as far as possible what may be bad for it and the country—one thing is essential. You must know your town's qualities. You can't talk down the sound and fury boys from competing communities unless you have facts. Facts properly handled can counteract ballyhoo and neutralize even political pull. Facts alone can keep you from betting on the wrong horse, which in the excitement of an incipient boom there is great danger of doing. Unless you have the facts, you can do only one of two things, join the stampede or stand still. Both are contrary to the principles of good banking and of rational community progress.

For this is a matter in which banks and bankers are so vitally interested that they should assume the obligations of leadership. For one thing, banks represent the basic permanent interests of the whole community as no other group does. The security of their loans depends largely upon long-run factors of community prosperity. The money of every class in the community passes through their hands for safe keeping and investment. Individuals may be pardoned for allowing themselves to be carried away by passing enthusiasms. The nature of a bank's responsibility as trustee for other people's

money gives bankers a more sober attitude and a long range point of view.

Surely no one can be more interested than bankers in properly evaluating the possibilities of their community in relation to coming industrial expansion. Nor is anyone better qualified than they to lead in such a task. They have in their heads or in their files much of the material necessary for the purpose, although it may not be assembled in the sequence required by this general community problem. The additional facts needed are easily obtainable and bankers in general are well prepared to analyze and draw valid conclusions from them. And when it comes to selling these conclusions to government officials and others, the reputation of bankers for probity and sobriety of judgment will make their representations convincing.

EVERY community should know itself, its advantages, weaknesses and possibilities. It should know the kind of industries which it can best serve and those which can best serve it. Honest self analysis should be useful at any time but especially so in a period of industrial growth. In the next column are outlined some of the broad categories of fact upon which such an analysis should be founded. Obviously, the geographic location, climatic conditions, accessibility to raw materials and to fuel and power, transportation facilities, local topography, existing land uses and land values, local taxation and labor supply are all important elements in assaying a community's advantages as a site for industry or other defense works. But others, such as the character of the population in and around the city, educational facilities, housing, and the general character of local government, are important too. Simple as such facts are, it is surprising how seldom they have ever been assembled to make a clear picture of any community, much less, to diagram its future development.

Such a survey should be founded on those enduring principles of economics on which the art of banking itself depends. It should ignore momentary considerations, keep out of blind alleys, and follow through on all points. It should emphasize those considerations by which the long-term advantage of the community can be measured. It should not be so preoccupied with purely physical and economic factors as to neglect the elements of civic life. Since the purpose of the defense program is to safeguard democracy, it is vital that nothing be done which weakens the ability of the people to govern themselves. One of the most extensive, vigorous and, in a sense, successful campaigns for new business ever undertaken for a city, made it a great branch-office town. The publicity emphasized the central location of the city in a large consuming area and its admirable transportation facilities. Hundreds of nationally known manufacturers and dealers set up sales and distributing offices. It was only later that the discovery was made that managers of branch offices, who may be moved elsewhere at any moment, never put down roots in the community or take much interest in its civic and political affairs.

A "Know Your Community" self-survey, under the competent leadership of bankers, is a practicable and inexpensive means of putting a community wise to itself.

#### FACTS TO KNOW ABOUT YOUR COMMUNITY

- I. Geography and Climate.
  - A. Accessibility of raw materials, fuel and power.
  - B. Transportation facilities, present or potential.
  - C. Suitability of topography and climate for
    1. Various types of industrial production.
    2. Flying fields, proving grounds, training camps.
- II. Economic and Social Factors.
  - A. Population by age, sex and race.
  - B. Consuming power in trade area.
  - C. Number of skilled and unskilled workers by types of occupation.
  - D. Extent of unemployment in each.
  - E. Wage rates, incomes—amounts and sources.
  - F. Union membership and record of labor relations.
  - G. Present land uses.
    1. Area in each type of land use.
    2. Vacant or blighted areas available for industrial, residential or other defense purposes, with land values.
    3. Housing situation.
- III. Government and Taxation.
  - A. Assessed valuation by classes of property.
  - B. Ratio of assessed to true value.
  - C. Property tax rates and yields.
  - D. Other tax rates and yields.
  - E. Debt and tax limitations.
  - F. Net bonded debt.
  - G. Type and quality of local government.

N.B. All data should be secured for the city and its trade area, by units of government where possible, and in order to show trends should cover the period from at least 1920.

There are no secret formulae or patent processes involved. The information called for is simple and non-technical in character, and the analysis of the assets and liabilities of a community—physical and human—can safely be trusted to men who are constantly accustomed to the analysis of the similar assets and liabilities of individuals and corporations. The work can be done for the most part by the volunteer effort, with such cooperation as can be obtained from public officials and citizens. The limited amount of clerical assistance required in the course of the survey and the preparation of a final report can be borrowed from local banks or business offices.

The results of such a self-survey will not only be useful in directing and implementing the quest for defense industries and works. It will be of value to business leaders of all descriptions in their daily work. It will give to civic bodies what they so often lack—accurate data on local conditions. It will furnish the agencies of local government with the information they need in forming and executing plans for community betterment. The press too will find in a "Know Your Community" survey and its report matter of great public interest.

Finally, such a survey, because it is a *self-survey*, has a stimulating effect upon local public spirit. It is a manifestation of democracy at work—an example of what plain citizens with a little leadership from among their own ranks can do toward solving their own problems. The democracy of our forefathers was successful because they never waited for a ruler to tell them what to do. Whatever needed doing they did for themselves. Every useful thing the people can do for themselves helps keep the democracy of today fit for its job.

# Government Financial Agencies

HERBERT M. BRATTER

*From this revision of its Federal financial agencies list BANKING omitted the following organizations:*

*Federal National Mortgage Association  
Federal Savings and Loan Insurance Corporation  
Inland Waterways Corporation  
Production Credit Corporations  
Puerto Rico Reconstruction Administration  
Regional Agricultural Credit Corporations  
United States Railroad Administration  
War Finance Corporation.*

*It will be seen that these agencies are either in liquidation, have been superseded, supplement others which are covered in the list, or offer no competition to banks.*

Mr. BRATTER, who compiled this information, writes frequently for this magazine from Washington.

BEFORE the depression, foreign observers used to cite Japan as the prize example of paternalism among modern nations, because of the multiplicity of forms of the Imperial Government's aids to agriculture, commerce and industry. Since the depression, government powers have been tremendously expanded in country after country, so that Japan no longer presents a contrast with the Occident. The United States has not been able to maintain the old system of economic laissez faire. With the purpose of priming the pump with cheap and plentiful credit, Congress has created a network of lending agencies so fast and so powerful that probably no member of Congress fully understands the range of the system it has created.

Almost all the Federal Government's financial agencies came into existence during or as a result of some emergency condition. Some were frankly designed to endure permanently. Others have been chartered for only limited periods; but the tendency repeatedly to renew and extend their life is clear. The quietly-operating and powerful Export-Import Bank, for example, originally set up as a small emergency organization in 1934, has several times had its life extended.

Many bankers wonder where this intricate system of government activity will ultimately lead. As the Government expands its credit activities year by year, it becomes ever more difficult for private bankers to compete with Uncle Sam. To some extent the Government's credit, to be sure, is used to support and guarantee the loans of the private banker. The vastness of the Government's programs and other circumstances, however, have combined to make the Federal Government the actual lender of a large part of the resources of the privately-owned commercial and savings banking system. Approximately half of the outstanding direct and guaranteed obligations of the Government are held by banks, including the Federal Reserve banks. This means that to a large extent the funds of the banking system are being lent to the public by the Government rather than by the banks themselves.

To some extent, therefore, the Government is held to compete with the banks with their own money. According to William S. Elliott, well known Canton, Georgia, banker, in his speech before the Third Virginia Bankers Conference in 1940, "expansion of loans unduly by government-sponsored agencies in rural communities has in many cases deprived country bankers of opportunities for service and reduced their earnings seriously. . . . representatives of Federal lending . . . have pursued liberal lending policies that have been embarrassing to the well intentioned banker who is held strictly to collectible loans. . . ."

The present survey is a revision of the one published in BANKING in November 1938, with the omissions noted above. It is intended to furnish bankers with compact reference material on the powers and activities of the various Federal financial agencies. This survey covers 30 agencies, including the government-controlled Federal Reserve System. For the most part, to quote the Secretary of the Treasury, these agencies "are really nothing more than government bureaus set up in corporate form for the purpose of enabling them to deal with business problems on a business basis."

Merely to facilitate reference, those agencies with related functions, including the eight whose detailed descriptions are omitted from the survey, are here grouped under four headings. These groups, and the number of lending agencies in each, are as follows:—

## Group I. AGRICULTURE—19

Central Bank for Cooperatives  
Commodity Credit Corporation  
Disaster Loan Corporation  
District Banks for Cooperatives  
Electric Home and Farm Authority  
Emergency Crop and Feed Loan Section  
Farm Credit Administration  
Farm Security Administration  
Federal Credit Unions  
Federal Farm Mortgage Corporation  
Federal Intermediate Credit Banks  
Federal Land Banks  
Land Bank Commissioner  
National Farm Loan Associations  
Production Credit Associations  
Production Credit Corporations  
Puerto Rico Reconstruction Administration  
Regional Agricultural Credit Corporations  
Rural Electrification Administration

## Group II. HOUSING AND CONSTRUCTION—9

Federal Home Loan Bank System  
Federal Housing Administration  
Federal National Mortgage Association  
Federal Savings and Loan Associations  
Federal Savings and Loan Insurance Corporation  
Federal Works Agency  
Home Owners' Loan Corporation  
The R.F.C. Mortgage Company  
United States Housing Authority

**Group III. BUSINESS AND FINANCE—6**  
 Export-Import Bank of Washington  
 Federal Deposit Insurance Corporation  
 Federal Reserve Banks  
 Reconstruction Finance Corporation  
 United States Postal Savings System  
 War Finance Corporation

**Group IV. TRANSPORTATION AND POWER—4**  
 Inland Waterways Corporation  
 Tennessee Valley Authority  
 United States Maritime Commission  
 United States Railroad Administration

Naturally, the classifications are in some instances quite arbitrary. The TVA, for example, is here placed in Group IV, although it has major agricultural aims. The Federal Land banks and Federal Intermediate Credit banks, here placed in Group I, could with equal logic be classified in Group III. The RFC, a financial empire of the broadest scope, concerns all four of the above groups.

For 30 of these agencies, the attempt has been made herein to provide succinct information on its history, organization, management, lending powers, resources, etc. In every case the information as here given has been supplied officially by the agency concerned, especially for this issue of *BANKING*. The factual material is preceded by an index in which the agencies are arranged alphabetically.

As the reader will realize, not all of the agencies in this survey are fully owned by the Government. In the Federal Home Loan banks the Government owns 76 per cent of the stock; in the Federal Savings and Loan associations only 18 per cent; in the Federal Land banks 53 per cent; in the FDIC 52 per cent, and in the Banks for Cooperatives 98 per cent.

In June 1939, properties which had been acquired by the Government as a result of lending activities and held for resale were valued at \$881,000,000. The principal components of this figure were:

HOLC	\$549,000,000
Federal Savings and Loan associations	143,000,000
Federal Land banks	105,000,000
Federal Farm Mortgage Corporation	30,000,000
RFC	22,000,000
	<hr/>
	\$849,000,000

*BANKING* sought to include in this survey the losses or slow debts of the several agencies. The reason for the general absence of such data in the information supplied by the Government for this survey is undoubtedly the same as that given the Senate by the Treasury last February. Senate Resolution 150 required the Treasury to supply a detailed listing of the assets of each corporation or agency showing the value when acquired and the appraised value on June 30, 1939. To this request the Treasury replied as follows:—

Literal compliance with this provision would have required a valuation of each debt due an agency and each piece of property owned by a corporation or agency. This would have required costly appraisals, the previous maintenance of expensive cost systems, and the carrying of a separate expense account or record for each such item. This provision would require each corporation and agency not only to estimate individually the realizable value of each debt, but would result in disclosure to individual debtors in some cases of the fact that the corporation or agency does not expect payment in full of its debts. . . .

The Treasury pointed out, moreover, that there is only one instance, namely the Commodity Credit Corporation, in which Congress has provided for an annual appraisal of the assets and liabilities.

A Treasury table submitted to the Senate and covering 30 of the 38 lending agencies shows, as of June 30, 1939, the following information.

Gross amount of loans	\$24,970,500,000
Principal repayments	16,363,400,000
Interest earned	2,450,500,000
Principal outstanding June 30, 1939	9,659,300,000
Total amount of principal and interest in default	1,053,700,000

NOTE: The gross amount of loans less principal repayments will not agree with the principal amount outstanding because of incompleteness of data for the Federal Savings and Loan associations.

With reference to the last figure given, the Treasury states that the probable loss on these loans is estimated at \$290,052,411. Reserves for all uncollectible items totalled \$743,062,004 on June 30, 1939. The \$1,053,700,000 in default in 1939 is attributed mainly to the operations of the RFC (\$449,000,000), the Emergency Crop and Feed Loan Section and the Agricultural Marketing Act Revolving Fund (\$210,000,000 and \$69,000,000, respectively), the Commodity Credit Corporation (\$132,000,000), and the HOLC (\$91,000,000). These four groups accounted for \$951,000,000 in default.

The reader interested in following the finances of various governmental corporations and credit agencies will find certain data published regularly in the monthly *Bulletin of the Treasury Department*.

#### CENTRAL BANK FOR COOPERATIVES

ESTABLISHMENT. Organized and chartered by the Governor of the Farm Credit Administration, September 12, 1933.

AUTHORITY. Farm Credit Act of 1933.

LIFE. This is a permanent institution.

ORGANIZATION. Maintains an office in Washington, D. C.

MANAGEMENT. The Cooperative Bank Commissioner of the Farm Credit Administration, appointed by the President, is chairman of a board of directors of seven. The other six members of the board are appointed by the Governor of the Farm Credit Administration. Three of these members are appointed from nominees selected by borrowers.

LENDING FUNCTIONS. Makes loans to farmers' cooperative associations of national and broad regional scope. Participates with the 12 district banks for cooperatives in the extension of large lines of credit. May discount loans of, or make loans to, the district banks for cooperatives. Loans outstanding as of June 30, 1940, \$13,947,911.

TERMS. Physical facility loans must be amortized over a period not in excess of 20 years; other loans are generally repaid at the end of the particular marketing seasons.

RATES. Prevalent rates are 1½, 2½ and 4 per cent,

depending upon the character of the loans. Rates cannot exceed 6 per cent.

CAPITAL FUNDS. Initial capital of \$50,000,000, which is the present amount, subscribed and paid in by the Governor of the Farm Credit Administration from the Agricultural Marketing Act revolving fund. The capital may be increased or decreased at any time by the Governor of the Farm Credit Administration. Additional capital is provided by the borrowing cooperative associations, which must own stock in the bank equal, at the time the loans are made, to approximately 5 per cent of the amount of operating capital and facility loans and 1 per cent of the amount of commodity loans.

OTHER FUNDS. May issue debentures up to five times the paid-in capital and surplus. This power has not yet been utilized. The bank can and does rediscount most of its commodity loans with the Federal intermediate credit banks.

#### COMMODITY CREDIT CORPORATION

ESTABLISHMENT. Created under laws of Delaware, October 17, 1933, under Executive Order of October 16, 1933.

AUTHORITY. The National Industrial Recovery Act, approved June 16, 1933.

LIFE. Life is limited; corporation will function as government agency to June 30, 1941, or such earlier date as President may fix.

ORGANIZATION. Maintains an office in Washington, D. C., and a statutory agent in Delaware, as required by law; operates through its own branch offices, Federal Reserve banks, and certain designated agencies of the Reconstruction Finance Corporation.

MANAGEMENT. Pursuant to the President's Reorganization Plan No. 1, effective July 1, 1939, the Commodity Credit Corporation, previously an independent agency, has been integrated into the Department of Agriculture and functions as a bureau of the Department under the general direction and supervision of the Secretary of Agriculture. The corporation has a board of five directors, composed of officers of the Department of Agriculture.

LENDING FUNCTIONS. Has made loans to producers of barley, butter, corn, cotton, figs, hops, mohair, pecans, prunes, raisins, rosin, rye, tobacco, turpentine, wheat and wool. Loans must be approved by the President. Can buy, sell and otherwise deal in any commodities.

TERMS. The loans are usually seasonal in character. Run from 6 to 12 months, subject to renewal, and are of the non-recourse type, secured by commodities as collateral under warehouse receipts or chattel mortgages.

RATES. The rate charged to borrowers on all loans is 3 per cent. With respect to loans made by banks and other local lending agencies, there is a discount of 1 to  $1\frac{1}{2}$  per cent. Loans outstanding June 29, 1940, \$396,946,799.60.

CAPITAL FUNDS. Capital of \$100,000,000 wholly owned by the United States. If audit at the end of March each year shows net worth less than \$100,000,000 the Secretary of the Treasury shall subscribe additional capital to make good the deficit. If an excess of \$100,000,000 is shown the excess is deposited in the Treasury. Impairment made good in June 1938, \$94,285,404; in

August 1939, \$119,599,918. Surplus of \$43,756,731.01 was paid into the Treasury of the United States on June 29, 1940.

OTHER FUNDS. The corporation is authorized to issue tax free obligations up to \$900,000,000 at any one time, guaranteed as to principal and interest by the Government. Bill to increase to \$1,400,000,000 passed the Senate and was pending in the House as of June 30, 1940. Outstanding obligations as of April 30, 1940, \$406,794,000.

#### DISASTER LOAN CORPORATION

ESTABLISHMENT. Organized in February 1937 under Act of Congress.

AUTHORITY. Act of Congress of February 11, 1937.

LIFE. Not limited.

ORGANIZATION. Operated as a subsidiary of the Reconstruction Finance Corporation.

MANAGEMENT. Managed by officers and employees appointed by the R.F.C.

LENDING FUNCTIONS. Makes such loans as it may determine to be necessary and appropriate to relieve distress from the effects of floods or other catastrophes.

TERMS. Determined in each case by the Corporation.

RATES. Determined in each case by the Corporation.

CAPITAL FUNDS. Capital of \$40,000,000 authorized by Congress to be advanced by the R.F.C. Actual capital subscribed and paid, \$24,000,000.

OTHER FUNDS. The Corporation is authorized to use all its capital to carry out the purpose of its establishment. Loans outstanding as of June 30, 1940, \$21,595,000.

#### DISTRICT BANKS FOR COOPERATIVES

ESTABLISHMENT. Organized and chartered by the Governor of the Farm Credit Administration.

AUTHORITY. Farm Credit Act of 1933.

LIFE. These banks are permanent institutions.

ORGANIZATION. Twelve banks are maintained in the 12 farm credit districts.

MANAGEMENT. The banks are supervised by the Cooperative Bank Commissioner of the Farm Credit Administration, appointed by the President. There is a farm credit board of seven members in each of the farm credit districts. The members of the several farm credit boards are *ex officio* directors of the respective district banks for cooperatives, and also of the Federal land banks, the Federal intermediate credit banks, and the production credit corporations, in the respective districts. One director on each farm credit board is elected by the borrowers from the bank for cooperatives.

LENDING FUNCTIONS. Make loans to farmers' cooperative associations in their respective districts, except those loans to associations of national and broad regional scope which are made by the Central Bank for Cooperatives. The three types of loans made are commodity, operating capital, and physical facility loans. Loans outstanding as of June 30, 1940, \$49,856,043.

TERMS. Physical facility loans must be amortized over a period not in excess of 20 years; other loans are usually repaid at the end of the particular marketing seasons.

RATES. Prevalent rates are  $1\frac{1}{2}$ ,  $2\frac{1}{2}$  and 4 per cent for

commodity, operating capital, and facility loans, respectively. In no case may they exceed 6 per cent.

CAPITAL FUNDS. Initial capital of \$5,000,000 for each bank, later increased to the present total of \$99,000,000, subscribed and paid in by the Governor of the Farm Credit Administration from the Agricultural Marketing Act revolving fund. Additional capital is provided by the borrowing cooperative associations, which must own stock in the bank equal, at the time the loans are made, to approximately 5 per cent of the amount of operating capital and facility loans and 1 per cent of the amount of commodity loans. Such capital on June 30, 1940, was \$2,865,000.

OTHER FUNDS. The district banks for cooperatives rediscount most of their commodity loans with the Federal intermediate credit banks and also have the authority to borrow from such banks, the Central Bank for Cooperatives, and from commercial banks.

#### ELECTRIC HOME AND FARM AUTHORITY

ESTABLISHMENT. District of Columbia corporation organized August 1, 1935, to succeed a Delaware corporation organized January 17, 1934, under Executive Order.

AUTHORITY. National Industrial Recovery Act, Executive Order and subsequent legislation.

LIFE. Lending authority extended to June 30, 1941, by act of Congress approved March 4, 1939.

ORGANIZATION. Head office in Washington with district offices in Los Angeles, California; Chicago, Illinois; Minneapolis, Minnesota; Portland, Oregon, and Chattanooga, Tennessee.

MANAGEMENT. Self-supporting corporation managed by a board of seven trustees, all officers or employees of the R.F.C. Under the President's Reorganization Plan No. 1, effective July 1, 1939, the Authority was grouped in the Federal Loan Agency.

LENDING FUNCTIONS. Finances the retail purchase of household and farm electrical and gas appliances and electrical wiring for customers of utilities which have agreed to bill and collect instalment payments along with regular service bills.

VOLUME OF FINANCING. Through June 30, 1940, the Authority had purchased 222,339 instalment contracts and notes amounting to \$31,755,551.59. Contracts and notes outstanding as of June 30, 1940, amounted to \$13,718,599.59.

LOSSES. Actual losses from all causes charged against a reserve for that purpose amounted to \$31,339.84.

TERMS. Purchasers are allowed up to 36 months to pay for most major appliances when purchased individually and 48 months when two or more major appliances are included on one contract. Other equipment may be financed over periods ranging from 12 to 30 months.

RATES. The finance charge is 5 per cent per annum on the original amount financed.

CAPITAL FUNDS. Capitalization \$850,000. Stock owned by Government.

OTHER FUNDS. Instalment obligations are financed through repayments and the sale of short term notes to banks under take-out commitments from the Reconstruction Finance Corporation.

#### EMERGENCY CROP AND FEED LOAN SECTION

ESTABLISHMENT. In 1918 the President of the United States made available to the Secretary of the Treasury and the Secretary of Agriculture the sum of \$5,000,000 to aid farmers in drought-stricken regions. Beginning with the crop year of 1921, the Secretary of Agriculture has been authorized, from year to year, to make crop and feed loans to farmers with funds appropriated by Congress. The administration of these loans was transferred from the Secretary of Agriculture to the Farm Credit Administration in 1933. In 1939, the Farm Credit Administration was transferred to the Department of Agriculture.

AUTHORITY. The authority for current loans is the Act of Congress approved January 29, 1937 (50 Stat. 5), as amended; and, in respect to collections, prior acts of the same general character.

LIFE. The Act of Congress approved January 29, 1937, is a continuing one, but the funds from which loans are made are supplied by annual appropriations made by Congress.

ORGANIZATION. The Emergency Crop and Feed Loan Section is a unit of the Farm Credit Administration with a central office in Washington and 11 regional offices.

MANAGEMENT. The Emergency Crop and Feed Loan Section is administered by a director who is appointed by the Governor of the Farm Credit Administration.

LENDING FUNCTIONS. Loans are made to farmers for the production of crops, and for the production or purchase of feed for livestock, and are limited to those farmers whose requirements are small, and who cannot obtain credit elsewhere. During the severe drought in 1934-35 the Emergency Crop and Feed Loan Section was authorized to make feed loans from a special appropriation.

TERMS. These loans are secured by first liens on the crops to be produced or on the livestock to be fed. Due to crop failure and other reasons many farmers and livestock men are unable to repay in full their loans at maturity. The drought loans referred to above are, for the most part, unsecured, being evidenced merely by the borrowers' promissory notes.

RATES. While the rates of interest have varied from year to year, loans made pursuant to the act of Congress approved January 29, 1937, as amended, bear interest at the rate of 4 per cent per annum.

CAPITAL FUNDS. None.

OTHER FUNDS. Loans from 1921 to 1933, inclusive, were made from annual appropriations for the Department of Agriculture and part of the time through allocations from the Reconstruction Finance Corporation. Since 1933 loans have been made by the Emergency Crop and Feed Loan Section of the Farm Credit Administration from appropriated funds or allocations by the President from relief funds. Loans made from 1918 to June 30, 1940, \$392,645,342. Amount outstanding on that date, \$129,547,685. Drought relief loans made in 1934-35 by allotment, \$96,785,000; from blanket drought relief appropriation, \$525,000,000. Total loans made, \$72,008,540. Amount outstanding June 30, 1940, \$51,670,712.

#### EXPORT-IMPORT BANK OF WASHINGTON

ESTABLISHMENT. Incorporation papers filed in District of Columbia, February 12, 1934, in accordance with Executive Order of February 2, 1934.

AUTHORITY. Section 2, Title I, of Public No. 67, 73rd Congress, and Public No. 1, 74th Congress, as amended.

LIFE. Life is limited; institution will function as government agency to June 30, 1941, or such earlier date as President may fix.

ORGANIZATION. Maintains an office in Washington, D. C., with a staff of 20 employees.

MANAGEMENT. Operations are controlled by a board of 11 trustees, including the Federal Loan Administrator, the president of the bank and representatives of the Departments of State, Treasury, Commerce and Agriculture and of the Reconstruction Finance Corporation.

LENDING FUNCTIONS. Performs a general banking business; purchases, sells, negotiates and discounts mostly with recourse to promote foreign trade. Originally planned to serve trade with Russia, but activities subsequently were extended to include trade with all countries. Loans outstanding June 30, 1940, \$98,518,176.45. Commitments outstanding on that date, \$158,435,206.15.

TERMS. Loans vary from less than 180 days up to 10 years.

RATES. The bank stipulates reasonable charges and rates of interest.

CAPITAL FUNDS. Capital stock, \$75,000,000, of which \$1,000,000 common stock is held by Secretaries of State and Commerce jointly and trustees of the bank for benefit of the United States, and \$74,000,000 preferred stock is held by the Reconstruction Finance Corporation. As of June 30, 1940, earned surplus and undivided profits amounted to \$4,280,140.46.

OTHER FUNDS. Reconstruction Finance Corporation, when requested by the Secretary of the Treasury, with the approval of the President, may continue to supply funds from time to time through loans or by subscription to preferred stock.

#### FARM CREDIT ADMINISTRATION

ESTABLISHMENT. Created by Executive Order, March 27, 1933.

AUTHORITY. Federal Farm Loan Act of 1916, Farm Credit Act of 1933, Agricultural Marketing Act of 1929, and other acts amendatory and supplementary thereto. In 1939 the Farm Credit Administration became a part of the U. S. Department of Agriculture.

LIFE. This is a permanent organization.

ORGANIZATION. Maintains head office in Washington, D. C., and district offices in 12 cities; in each is a Federal land bank, a Federal intermediate credit bank, a bank for cooperatives, and a production credit corporation.

MANAGEMENT. The principal officers are the Governor, and two Deputy Governors; the Land Bank Commissioner in charge of the Federal land banks and Land Bank Commissioner loans; the Cooperative Bank Commissioner in charge of the cooperative banks; and the Production Credit Commissioner in charge of the production credit corporations and associations. The Gov-

ernor and Commissioners are appointed by the President. There is also a Director of the Credit Union Section appointed by the Governor of the Farm Credit Administration.

LENDING FUNCTIONS. The Farm Credit Administration as such makes no loans. It supervises the lending activities of the 12 district offices, the Central Bank for Cooperatives, and 11 regional emergency crop and feed loan offices. It also has under its jurisdiction the liquidation of loans made by the joint stock land banks, the regional agricultural credit corporations, and from the Agricultural Marketing Act revolving fund, and supervision of Federal credit unions.

OTHER ACTIVITIES. The Cooperative Research and Service Division of the Farm Credit Administration conducts research studies and service activities relating to problems of farmers' marketing, purchasing and service cooperatives. The Economic and Credit Research Division is engaged in research activities connected with credit problems.

CAPITAL FUNDS. None.

OTHER FUNDS. The Washington office of the Farm Credit Administration is maintained by specific appropriations of Congress. Income of District offices comes from loan activities and investments.

#### FARM SECURITY ADMINISTRATION

ESTABLISHMENT. Commenced operations on September 1, 1935, as successor to the Resettlement Administration, which had been set up by Executive Order in 1935 to combine various farm relief and rehabilitation agencies.

LIFE. Permanent organization.

ORGANIZATION. Operated as a bureau in the Department of Agriculture. Administration of the various rural loan programs is highly decentralized in the states.

MANAGEMENT. Controlled by the Secretary of Agriculture through an Administrator appointed by the President. The Administrator works through 12 regional and 2,140 county offices.

LENDING FUNCTIONS. Makes loans to farm tenants, farm laborers, share-croppers, and other non-owner farmers for the purchase of farms; makes rehabilitation loans to low-income farmers for the purchase of necessary livestock, farm equipment, supplies, and other farm needs. Also makes rehabilitation loans to groups of small farmers for services or capital equipment which farmers individually would be unable to afford.

TERMS. Rehabilitation loans run from one to ten years; farm purchase loans may have maturities up to 40 years. All loans to individual farmers are based on management plans worked out with the farmers to help them handle their farming operations successfully.

RATES. Three per cent interest with amortization on long-term farm purchase loans; 5 per cent on rehabilitation loans.

FUNDS. Under the 1941 appropriations, \$50,000,000 was advanced by the Reconstruction Finance Corporation for tenant purchase loans and \$125,000,000 was advanced by the corporation for rehabilitation loans.

FINANCIAL OPERATIONS. The following are the loan and collection figures as of June 30, 1940.

	Loans	Maturities	Collections
I. REHABILITATION LOANS			
Rehabilitation loans to individuals.....	\$401,002,996	\$165,481,141	\$125,966,758
Loans to cooperative associations.....	13,395,096	386,307	227,503
Loans to individuals on FSA projects.....	11,830,246	3,641,893	2,498,528
Loans for project development.....	6,923,460	143,884	125,142
II. TENANT PURCHASE LOANS			
Tenant purchase loans to individuals.....	51,723,883	1,145,114	1,134,307

#### FEDERAL CREDIT UNIONS

ESTABLISHMENT. The first Federal credit union was chartered by the Farm Credit Administration on October 1, 1934.

AUTHORITY. Federal Credit Union Act of 1934.

LIFE. Permanent organizations.

ORGANIZATION. Cooperative thrift and loan associations whose members must have some common bond, such as employment or occupation. There were 3,603 active unions as of June 30, 1940.

MANAGEMENT. Management of each credit union is entrusted to a directors' board of not less than five, a credit committee of not less than three, and a supervisory committee of three members; entire Federal credit union system is supervised by the Governor of the Farm Credit Administration with administrative details handled through a Credit Union Section.

LENDING FUNCTIONS. Members are granted loans for useful purposes; unsecured loans may not exceed \$100, and no loans may exceed \$200 or 10 per cent of unimpaired capital and surplus, whichever is greater. Loans outstanding as of June 30, 1940, are estimated at \$47,000,000.

TERMS. Loans are made for not longer than 2 years.

RATES. Each credit union determines its own rates, but charges may not exceed 1 per cent per month on unpaid balances.

CAPITAL FUNDS. Members of the credit unions each purchase at least \$5 worth of share capital and pay a small entrance fee. Share capital on June 30, 1940, estimated at \$52,000,000.

OTHER FUNDS. Funds may be borrowed from any source up to 50 per cent of unimpaired capital and surplus. While such borrowing is not uncommon, it is usually resorted to only to tide over a special demand for loans from members. All but a small part of credit union loans are made from share capital consisting of members' savings.

#### FEDERAL DEPOSIT INSURANCE CORPORATION

ESTABLISHMENT. Temporary, January 1, 1934. Permanent, August 23, 1935.

AUTHORITY. Act of June 16, 1933, and subsequent resolutions, and the Banking Act of 1935.

LIFE. Permanent.

ORGANIZATION. Head office in Washington operating an insurance business covering deposits in 13,534 of the 15,012 licensed commercial and mutual savings banks in the United States as of June 30, 1940. District offices in Boston, New York, Columbus, Richmond, Atlanta, St. Louis, Chicago, Madison, St. Paul, Kansas City, Dallas and San Francisco.

MANAGEMENT. Managed by a board of three directors appointed by the President, of whom the Comptroller of the Currency is one. President designates one director as chairman.

LENDING FUNCTIONS. Can make advances on or purchase the assets of banks to facilitate mergers, or otherwise reduce its insurance risks, in an indefinite amount limited only by its resources. Outstanding loans and assets purchased as of June 30, 1940, were \$146,846,992. Reserves for estimated losses included in this amount were \$24,149,466.

TERMS. At the corporation's discretion.

RATES. At the corporation's discretion.

CAPITAL FUNDS. \$150,000,000 subscribed by the United States Government and \$139,299,556 subscribed by the Federal Reserve banks as required by law. Surplus and reserves as of June 30, 1940, \$180,264,574.

OTHER FUNDS. The corporation can issue notes, debentures, bonds or the like up to three times its capital. The premium assessment on its members in 1939 was roughly \$45,000,000.

#### FEDERAL FARM MORTGAGE CORPORATION

ESTABLISHMENT. Created by statute January 31, 1934.

AUTHORITY. Federal Farm Mortgage Corporation Act of 1934, and the Emergency Farm Mortgage Act of 1933.

LIFE. Corporation will have succession until dissolved by Congress.

ORGANIZATION. Maintains an office in Washington, D. C.

MANAGEMENT. Management is in the hands of a board of directors whose members include the Secretary of the Treasury, or an officer of the Treasury designated by him, the Land Bank Commissioner, and the Governor of the Farm Credit Administration. The latter is the chairman.

LENDING FUNCTIONS. Finances loans made by the Federal land banks and the Land Bank Commissioner, particularly for the refinancing of farm indebtedness. Loans outstanding on June 30, 1940, totaled \$668,850,213. Land bank bonds held, \$761,129,840. Total assets, \$1,503,696,966.

TERMS. See Land Bank Commissioner loans.

RATES. See Land Bank Commissioner loans.

CAPITAL FUNDS. \$200,000,000 capital subscribed by the Governor of the Farm Credit Administration on behalf of the United States from funds made available by the Emergency Farm Mortgage Act of 1933 to the Land Bank Commissioner for mortgage loans to farmers.

OTHER FUNDS. Corporation may, with the approval of the Secretary of the Treasury, have outstanding bonds up to \$2,000,000,000. Bonds are fully guaranteed by the Government as to payment of both principal and interest and are tax exempt. Bonds outstanding as of June 30, 1940, \$1,269,387,900.

#### FEDERAL HOME LOAN BANK SYSTEM

ESTABLISHMENT. The Federal Home Loan banks were organized under the provisions of the Federal Home Loan Bank Act, approved July 22, 1932, as a reserve

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credit system for private thrift and home-financing institutions. They are administered by the Federal Home Loan Bank Board, which is composed of five members appointed by the President. Not more than three members of the board shall be of the same political party.

AUTHORITY. Federal Home Loan Bank Act, approved July 22, 1932; and amendments thereto as follows: Home Owners' Loan Act of 1933, approved June 13, 1933; An Act to Guarantee the Bonds of the Home Owners' Loan Corporation, approved April 27, 1934; National Housing Act, approved June 27, 1934; and An Act to Provide Additional Home-Mortgage Relief, approved May 28, 1935.

LIFE. The banks were designed as a permanent supplement to the nation's home loan institutions. Since the date of organization through June 30, 1940, they had advanced a total of \$631,033,494, of which \$473,636,447 had been repaid, leaving on that date the sum of \$157,397,047 outstanding to member institutions.

ORGANIZATION. There are 12 banks, each located in a designated city and district serving all member institutions in regions embracing from 2 to 8 states. As of June 30, 1940, there were 3,914 member institutions divided into classes as follows:

Federal savings and loan associations.....	1,421
State-chartered savings and loan associations..	2,444
Insurance companies.....	38
Savings banks.....	11
 Total.....	 3,914

MANAGEMENT. Each bank has a board of 12 directors, of whom 8 are elected by the member institutions and 4 are appointed by the Federal Home Loan Bank Board; the system is directly administered by a Governor appointed by the board.

LENDING FUNCTIONS. The banks lend to their member savings, building and loan associations, cooperative banks, homestead associations, savings banks and insurance companies through advances (1) up to ten years on eligible home mortgage collateral or on obligations of, or guaranteed by, the U. S., and (2) on advances up to one year on an unsecured basis. Lend to non-member mortgagees, approved under Title II of the National Housing Act up to ten years on security of insured mortgages insured under above Title and Act.

TERMS. Maximum maturity in 10 years under present board regulations.

RATES. Within ranges established by the Federal Home Loan Bank Board. Present maximum rates, 3 per cent to members, 4 per cent to non-member mortgagees.

CAPITAL FUNDS. The Secretary of the Treasury has subscribed and paid for \$124,741,000 of the capital stock of the 12 banks. Member institutions must subscribe to capital stock in an amount of at least 1 per cent of the aggregate unpaid principal of their home mortgage loans but not less than \$500. Capital paid in by members as of June 30, 1940, totaled \$42,632,475. All of the banks are paying dividends.

OTHER FUNDS. The banks are obtaining additional funds through member deposits and the sale of con-

solidated Federal Home Loan Bank debentures. The Home Owners' Loan Corporation is authorized to invest in these debentures from the remainder of a \$300,000,000 fund placed at its disposal in 1935. As of June 30, 1940, the balance of this fund was \$79,311,790.

#### FEDERAL HOUSING ADMINISTRATION

ESTABLISHMENT. Created by specific statute, June 27, 1934.

AUTHORITY. National Housing Act of 1934, with amendments thereto.

LIFE. Permanent institution, with certain provisions expiring June 30, 1941.

ORGANIZATION. Maintains a main office in Washington, D. C., and 55 insuring offices, 10 underwriting offices, 16 service offices and 16 valuation stations covering 48 states and Alaska, Hawaii and Puerto Rico.

MANAGEMENT. All the powers are exercised by the Federal Housing Administrator, appointed by the President, by and with the advice and consent of the Senate.

FUNCTIONS: The F.H.A. does not lend money, but performs the following functions:

1. Insures private lending institutions against loss up to 10 per cent of their total advances for home modernization and repair under provisions of Title I of the National Housing Act. Also insures mortgage loans on new homes up to \$2,500 or the cost of construction, whichever is less. No loans for insurance under Title I can be made after June 30, 1941.

2. Insures mortgages on existing non-farm homes not to exceed \$16,000 or 80 per cent of the appraised value. No such mortgages can be insured after June 30, 1941 unless the properties have previously been covered by insured mortgages.

3. (a) Insures mortgages on new one- to four-family houses, approved for mortgage insurance prior to or within 12 months of the completion of construction, up to \$16,000 or 80 per cent of the appraised value. (b) Insures mortgages up to \$5,400 or 90 per cent of the appraised value on new single-family, owner-occupied homes to be built under F.H.A. inspection. (c) Insures mortgages up to \$8,600 or 90 per cent of the first \$6,000 of the appraised value and 80 percent of the value in excess of \$6,000, and not in excess of \$10,000 on single-family, owner-occupied homes to be built under F.H.A. inspection.

4. Insures mortgages covering farms upon which a farmhouse or other farm buildings are to be constructed or repaired, provided not less than 15 per cent of the total principal obligation be expended for materials and labor.

5. Insures mortgages on rental or group housing projects, to consist of not less than 16 dwelling units each. The mortgages (a) shall not exceed \$5,000,000; (b) shall not exceed 80 per cent of the appraised value of the property when completed; (c) shall not exceed the estimated cost of the physical improvements, exclusive of public utilities and streets; taxes, interest and insurance during construction; organization and legal expenses, and miscellaneous charges during or incidental to construction; and (d) shall not exceed \$1,350

per room for such part of such property as may be attributable to dwelling use. The prevailing wage as determined by the Secretary of Labor shall be paid laborers and mechanics in the construction of such projects.

TERMS. Modernization and repair notes may run for 3 years and 32 days. Home mortgages insured under Title I may run for 15 years and 5 months. Home mortgages insured under Title II may run for 20 years, except that the mortgages for \$5,400 or less on new single-family, owner-occupied homes may run for 25 years. Rental and group housing mortgages may run for terms determined by the Administrator.

RATES. (a) For modernization and repair notes, the charge cannot exceed the equivalent of \$5 discount per \$100 original face amount of a one-year note payable in monthly instalments (including the  $\frac{3}{4}$  per cent F.H.A. premium charge). (b) For mortgages insured under Title I, the charge cannot exceed \$3.50 discount per \$100 (including the  $\frac{1}{2}$  per cent F.H.A. premium charge) or  $4\frac{1}{2}$  per cent interest, plus the  $\frac{1}{2}$  per cent F.H.A. premium charge. (c) For home mortgages insured under Title II, or for small-scale rental or group housing mortgages of \$100,000 or less, the rate cannot exceed  $4\frac{1}{2}$  per cent interest, plus the  $\frac{1}{2}$  per cent F.H.A. premium charge. (d) For large-scale housing mortgages exceeding \$100,000, the rate cannot exceed 4 per cent interest, plus the  $\frac{1}{2}$  per cent F.H.A. premium charge.

OTHER FUNDS. The Reconstruction Finance Corporation advances necessary funds for payment of claims for insurance under Title I, with a limitation of \$100,000,000 on the total of such advances. \$10,000,000 was allocated under the original Act by the Reconstruction Finance Corporation for the Mutual Mortgage Insurance Fund. Up to the close of the current fiscal year the R.F.C. also advanced funds for a portion of the operating expenses of the Administration. At June 30, 1940, the R.F.C. had advanced for the payment of claims under Title I, \$29,640,306 and for operating expenses, \$42,546,075.

CAPITAL FUNDS. Non-stock proprietary interest as of June 30, 1940, \$49,311,002.

#### FEDERAL INTERMEDIATE CREDIT BANKS

ESTABLISHMENT. Created by statute March 4, 1923.

AUTHORITY. Agricultural Credits Act of 1923.

LIFE. Permanent institutions.

ORGANIZATION. There are 12 banks, one located in each farm credit district headquarters city.

MANAGEMENT. Each bank operates under a district Farm Credit Board which is, *ex officio*, the board of directors of the Federal intermediate credit bank as well as the Federal land bank, the bank for cooperatives, and the production credit corporation of the district. The intermediate credit banks are supervised by the Intermediate Credit Commissioner of the Farm Credit Administration, named by the President.

LENDING FUNCTIONS. Make loans to and discount paper for production credit associations, banks for cooperatives, state and national banks, agricultural credit corporations, livestock loan companies and other agricultural financing institutions, with their endorsement. Make no loans to individuals. Outstanding credit as of June 30, 1940, \$237,338,443.

TERMS. Maximum maturity, 3 years. Usual maturities, 1 year or less.

RATES. Rate of interest or discount may not, without the approval of the Governor, exceed by more than 1 per cent the rate borne by the last issue of debentures. The rate since February 1939 has been  $1\frac{1}{2}$  per cent. Interest rate to borrowers on notes eligible for discount or purchase may not exceed bank's lending rate by more than 3 per cent per annum, except with approval of Governor.

CAPITAL FUNDS. Sixty million dollars combined initial capital subscribed by the Secretary of the Treasury. The Governor of the Farm Credit Administration paid in an additional \$40,000,000 (\$10,000,000 in capital, and \$30,000,000 in paid-in surplus) from a revolving fund provided for that purpose. It is anticipated that the \$40,000,000 of additional capital and paid-in surplus may be returned to the revolving fund during the year beginning July 1, 1941. Earned surplus, undivided profits, and reserve for contingencies June 30, 1940, \$20,524,171.

OTHER FUNDS. The banks issue consolidated collateral trust debentures, which are the joint obligation of all 12 banks. Maximum outstanding limited to 10 times their capital and surplus. Debentures are fully tax exempt. Maturities up to 6 months eligible for purchase by Federal Reserve banks and as collateral for 15-day loans to member banks. Consolidated debentures outstanding June 30, 1940, \$210,300,000.

#### FEDERAL LAND BANKS

ESTABLISHMENT. Organized in March and April 1917 under specific statute.

AUTHORITY. Federal Farm Loan Act of 1916, Emergency Farm Mortgage Act of 1933, and other acts amendatory and supplementary thereto.

LIFE. Permanent institutions.

ORGANIZATION. There are 12 farm credit districts; in each is located a Federal land bank.

MANAGEMENT. In each district is a farm credit board of seven members who are *ex officio* directors of the four district credit institutions, the Federal land bank, the Federal intermediate credit bank, the bank for cooperatives, and the production credit corporation. Three of the directors are appointed by the Governor of the Farm Credit Administration, three chosen by borrowers or borrowers' associations, and the seventh is appointed by the Governor of the Farm Credit Administration from the three persons receiving the greatest number of votes in nominations made by the national farm loan associations of the districts. The Federal land banks as a group are under the supervision of the Farm Credit Administration.

LENDING FUNCTIONS. Lend through national farm loan associations or directly with first mortgages on farms as security, up to 50 per cent of the appraised value of the land and 20 per cent of the permanent insured improvements thereon, but not exceeding \$50,000 to any one borrower. The banks may also buy mortgages held by the joint stock land banks now in liquidation. Loans outstanding as of June 30, 1940, \$1,880,408,005.

TERMS. Minimum term for repayment, 5 years; maximum, 40 years.

RATES. Interest due on loans through national farm loan associations prior to July 1, 1942, is payable at  $3\frac{1}{2}$  per cent; thereafter the rate is according to original contract but rates on new loans may not exceed rate at which bonds are sold by more than 1 per cent, except with the approval of the Governor of the Farm Credit Administration, and in no case above 6 per cent. Rates on direct loans are 0.5 per cent higher than on those placed through the national farm loan associations.

CAPITAL FUNDS. Original capital for each bank was \$750,000, or a total of \$9,000,000 subscribed by the Secretary of the Treasury. This was later augmented by an additional \$125,000,000 distributed among the banks according to their proportional needs. Theoretically, the Government's share of capital is to be retired through subscriptions by borrowing associations and when retired it will become a revolving fund subject to future demand as needed. The Government also has subscribed to paid-in surplus of the banks subject to similar distribution and future use. Government capital as of June 30, 1940, \$125,000,000; total capital, \$236,047,425; paid-in surplus as of June 30, 1940, \$187,772,745.

OTHER FUNDS. The banks may issue Federal farm loan bonds up to 20 times their capital and surplus. These bonds are absorbed by the investing public, the Federal Farm Mortgage Corporation, and various Government agencies. Outstanding bonds as of June 30, 1940, \$1,735,985,940.

#### FEDERAL RESERVE BANKS

ESTABLISHMENT. Loans-to-industry regulations adopted by the Board of Governors of the Federal Reserve System June 26, 1934, according to amendatory act of June 19, 1934.

AUTHORITY. Federal Reserve Act of 1913 as amended. Regulation S, approved June 26, 1934, covering working capital loans for established industrial or commercial businesses is based on Sec. 13b of the Federal Reserve Act added by Act of June 19, 1934.

LIFE. Sec. 13b which authorizes loans to industry does not contain any limitations as to the period within which such loans may be extended. The Board may at its discretion, however, suspend the making of direct loans to industry, but it has no authority to take similar action as regards advances made by the Reserve banks in co-operation with financing institutions.

ORGANIZATION. There are 12 Federal Reserve district cities; in each is located a Federal Reserve bank; maintained also are 24 branch banks and one agency; the Board of Governors of the Federal Reserve System is located at Washington, D. C.

MANAGEMENT. Reserve banks are supervised and partly controlled by a Board of Governors of seven appointed by the President, one of whom is designated as chairman. Each bank is managed by a president and a board of nine directors. In the matter of direct loans to commerce and industry each bank has an industrial advisory committee to pass upon all applications for such loans.

LENDING FUNCTIONS. Exercise usual central bank rediscount functions. Also grant direct intermediate credit loans with or without member bank participation to industrial or commercial organizations and give commit-

ments to financial institutions to purchase loans made by them to furnish working capital to established industries or businesses. Also under "unusual and exigent circumstances" by special action of the Board of Governors during such period as the Board may determine may grant loans to individuals, partnerships or corporations similar to those to member banks in the same circumstances. Outstanding working capital loans and commitments as of June 30, 1940, \$17,684,000.

TERMS. Maturities on working capital loans may extend up to five years. All other loans are short term.

RATES. Interest and discount rates, while set by the banks, are subject to review and determination by the Board of Governors of the Federal Reserve System; prevailing rates on working capital loans do not exceed 6 per cent. Ordinary rediscount rates fixed by each bank at least as often as every 14 days.

CAPITAL FUNDS. Member banks subscribe to the capital in the Reserve bank in their district in the amount of 6 per cent of their paid-up capital and surplus, of which one-half is paid in and one-half is subject to call. Paid-in capital of the 12 Reserve banks as of June 30, 1940, \$137,116,000.

OTHER FUNDS. To enable the banks to make working capital loans, the Federal Treasury is authorized to pay to the banks such sum as may be represented by the amount paid by the banks for stock of the F.D.I.C.; payment is provided from receipts created by increment resulting from reduction of the weight of the gold dollar.

#### FEDERAL SAVINGS AND LOAN ASSOCIATIONS

ESTABLISHMENT. Established as an improved form of private, local, mutual, thrift institution under Federal charter authorized by the Federal Home Loan Bank Board under specific statute enacted by Congress June 13, 1933.

AUTHORITY. Home Owners' Loan Act of 1933.

LIFE. Permanent institutions.

ORGANIZATION. There are 1,430 Federal associations located in 48 states, the District of Columbia, Alaska and Hawaii.

MANAGEMENT. While the management of the associations rests in local hands, they are supervised for the Federal Home Loan Bank Board by the office of the Governor of the Federal Home Loan Bank System and are subject to regulations and examinations prescribed by the Board.

LENDING FUNCTIONS. Provide local financing for homes on the long-term, direct-reduction, amortized plan, and provide local thrift facilities for savings.

TERMS OF LOANS. Repayments are generally made in monthly instalments in from five to 20 years.

RATES. Rates are required to be maintained on a "fair and reasonable basis."

CAPITAL FUNDS. From savings and investments of their individual members. In 1933, the U. S. Treasury was authorized to invest up to \$50,000,000 in Federal associations. These investments gradually are being retired. Investment has also been made from a \$300,000,000 H.O.L.C. fund authorized for investment in Federal associations and other member savings and loan associations of the Federal Home Loan Bank System

and in obligations of the 12 Federal Home Loan banks. H.O.L.C. investment as of June 30, 1940, \$163,130,800. Total combined capital of all Federals June 30, 1940, was \$1,465,475,600, of which approximately \$1,268,207,700 was private.

OTHER FUNDS. Additional funds are obtained by borrowing at the Federal Home Loan banks.

INSURANCE OF SHARES. The safety of investors' funds in the associations is insured by the Federal Savings and Loan Insurance Corporation, up to \$5,000 on each savings account.

#### FEDERAL WORKS AGENCY *Public Works Administration*

ESTABLISHMENT AND AUTHORITY. The Federal Emergency Administration of Public Works was established pursuant to title II of the National Industrial Recovery Act (Public Act 67, 73d Cong., approved June 16, 1933). Subsequent legislation continued its operations, and the Public Works Administration Appropriation Act of 1938 (Public Res. 122, 75th Cong., approved June 21, 1938), as amended, authorized the continuance of those operations until the close of the fiscal year ending June 30, 1941. Reorganization Plan No. 1 of the President, effective July 1, 1939, provided that the Federal Emergency Administration of Public Works and its functions should be administered as the Public Works Administration (with a Commissioner of Public Works at the head thereof) within the Federal Works Agency. Its purposes are officially described as: To promote and stabilize employment and purchasing power by encouraging the construction of useful public works projects through the making of loans and/or grants (grant not to exceed 45 per cent of the cost of a project) pursuant to applications filed by states, territories, possessions, political subdivisions, or other public bodies, and, to a limited extent, by financing the construction of Federal projects; also to promote interest in long-range planning in the field of public works.

ORGANIZATION. The P.W.A. includes divisions for engineering, legal, financial, power, accounting, investigative, administrative, and project matters, and a Board of Labor Review. Three regional offices have been organized in the U. S. and three in its territories and possessions.

MANAGEMENT. The P.W.A. is directed by a Commissioner of Public Works, an executive officer, and a general counsel. The three United States regional offices of the P.W.A. are each under a regional director. In Puerto Rico, Hawaii and the Virgin Islands the P.W.A. has a representative.

LENDING FUNCTIONS. The P.W.A. was created to promote the construction of sound and useful projects by means of loans and grants to public bodies and (under the National Industrial Recovery Act) loans to private corporations. Authority was granted also to make allotments for Federal projects to the various departments and independent establishments of the Government. Any state, territory, possession, county, political subdivision or other public body is eligible to apply for an allotment by way of a loan and a grant or a grant only to aid in financing the construction of a sound and useful project, provided it has the authority to construct the

project and can finance at least 55 per cent of the cost.

TERMS. Allotments are made to non-Federal public bodies either by way of a loan and a grant or by a grant only. In the case of the former, the loan usually represents 55 per cent of the cost of the project, the grant being for the remainder. In no case may the grant exceed 45 per cent of the approved cost of the project. Loans are made through the purchase of bonds or other types of obligations of the applicant public body, such as general obligation bonds, revenue bonds and special assessment bonds. After an allotment of funds has been made, an offer to aid in financing the construction of the project by way of loan and grant or grant only, as the case may be, is forwarded to the applicant. The acceptance thereof by the governing body of the applicant creates a contract between it and the Government.

RATES. Interest at 4 per cent per annum is charged on such loans.

CAPITAL FUNDS. The funds of the Agency are derived by Congressional appropriation and from the proceeds of the sale of securities purchased by the P.W.A. to effect loans.

OPERATING STATISTICS. The P.W.A., as of July 3, 1940, had made allotments of over \$4,105,000,000 for 34,468 projects costing over \$6,000,000,000. Of the total of \$4,105,000,000, \$1,778,000,000 was allotted to other Federal agencies to finance the construction of Federal Government projects. Just over \$200,000,000 was loaned to railroads for the purchase of equipment and for other improvements. Of this sum, all but \$19,000,000 has been repaid or the securities sold to the public, at a profit in excess of \$4,000,000. \$1,509,000,000 was granted to municipalities in amounts not exceeding 45 per cent of the total cost of projects, and \$618,000,000 was loaned to municipalities. Of the loans, \$97,379,894 par value of securities was still held by the P.W.A. on June 30, 1940, and \$116,008,617 by the R.F.C. The aggregate profit on securities sold is in excess of \$13,000,000.

#### HOME OWNERS' LOAN CORPORATION

ESTABLISHMENT. Created by Home Owners' Loan Corporation Act, which went into effect June 13, 1933, and subsequent legislation.

LIFE. Lending operations ended June 12, 1936. Liquidation of loans, disposal of repossessed properties, and administration of subsidiary legislation to continue until the corporation is dissolved by Act of Congress.

ORGANIZATION. Maintains headquarters in Washington; 29 state offices, 2 division offices, and 57 field stations, employing about 9,800 persons at home and in the field.

MANAGEMENT. Controlled by a board of five directors, composed of members of the Federal Home Loan Bank Board.

LENDING FUNCTIONS. Provided emergency relief refinancing for distressed home owners by exchanging its bonds for home mortgages in default; makes advances for repairs and improvements, and in certain cases to overcome tax delinquencies. Authorized by Congress to provide capital stock of \$100,000,000 for the Federal Savings and Loan Insurance Corporation, and to invest \$300,000,000 in the shares of savings and loan associations of the Federal Home Loan Bank System. At the

end of its refinancing operations, the corporation had made approximately 1,018,000 loans in the gross amount of \$3,093,000,000, including approximately \$78,000,000 loaned for repairs and reconditioning.

TERMS. Loans were to be amortized in 15 years with extensions permitted under conditions to be determined by the board. The Mead-Barry Act of 1939 specifically authorized the board to extend the amortization period to 25 years at its own discretion.

RATES. The interest rates on mortgage loans under the original Act could not exceed 5 per cent, except for a 6 per cent rate on a comparatively few cash loans. By action of the Board in 1939, an interest rate of 4½ per cent is now accepted.

CAPITAL FUNDS. Capital subscribed by the Secretary of the Treasury, \$200,000,000.

OTHER FUNDS. Corporation authorized to issue bonds up to \$4,750,000,000, fully guaranteed by the United States as to principal and interest. The average interest rate on unmatured bonds outstanding at June 30, 1940, was 2.138 per cent; unmatured bonds outstanding at June 30, 1940, \$2,603,359,700; mortgage loans and vendee accounts outstanding, \$2,012,760,434; foreclosed property owned and in process of acquiring title as of the same date, \$424,185,211.

#### LAND BANK COMMISSIONER LOANS

ESTABLISHMENT. Authorized by statute, May 12, 1933.

AUTHORITY. Emergency Farm Mortgage Act of 1933 and other acts amendatory and supplementary thereto.

LIFE. Commissioner may make loans up to June 1, 1942.

ORGANIZATION. Maintains an office at Washington, D. C.; the 12 Federal land banks act as agents for the Commissioner.

MANAGEMENT. The Land Bank Commissioner, responsible to the Governor of the Farm Credit Administration, is named by the President; the Commissioner is assisted by three deputy commissioners.

LENDING FUNCTIONS. Lends money directly to farmers to enable them to consolidate and refinance their indebtedness on first or second real estate mortgages up to 75 per cent of the normal value of the property, but no more than \$7,500 to any one borrower. Commissioner loans outstanding as of June 30, 1940, \$668,850,213.

TERMS. Maximum maturity on amortized mortgage loans usually does not exceed 20 years, but is authorized up to 40 years.

RATES. The contract rate is 5 per cent on all loans, but until July 1, 1942, the rate payable on interest instalments dates is 3½ per cent.

CAPITAL FUNDS. None.

OTHER FUNDS. Funds are made available by the Federal Farm Mortgage Corporation up to the exhaustion of the balance of the \$2,000,000,000 of bonds of the Federal Farm Mortgage Corporation fully guaranteed by the Government.

#### NATIONAL FARM LOAN ASSOCIATIONS

ESTABLISHMENT. Chartered by Farm Credit Administration under specific statute of July 17, 1916.

AUTHORITY. Federal Farm Loan Act of 1916 and other acts amendatory and supplementary thereto.

LIFE. Life of associations is unlimited.

ORGANIZATION. There are approximately 3,700 operating national farm loan associations.

MANAGEMENT. Being cooperative enterprises, management of the associations rests in local hands; they are, however, supervised by the Farm Credit Administration. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Associations act as a liaison between farmer borrowers and Federal land banks. Original borrower must subscribe 5 per cent of his loan in stock of association which endorses his mortgage note and subscribes to 5 per cent of loan in capital of the land bank. Latter advances money to borrower on his mortgage. Association is expected to collect payments of interest and principal for the land bank, to which it is responsible for the loan as endorser.

TERMS. Loans placed through the association draw ½ per cent less interest than those placed directly by land Banks.

RATES. See Federal Land Banks.

CAPITAL FUNDS. Individual borrowers subscribe to 5 per cent in stock of the amount of their loans secured through the associations. Total outstanding capital as of June 30, 1940, \$107,400,240.

OTHER FUNDS. The associations charge limited fees for services in securing loans for their members and are given allowances for servicing loans.

#### PRODUCTION CREDIT ASSOCIATIONS

ESTABLISHMENT. Created by statute June 16, 1933; they had been organized to serve all parts of the country by the end of April 1934.

AUTHORITY. Farm Credit Act of 1933.

LIFE. Permanent organizations.

ORGANIZATION. Chartered by the Governor of the Farm Credit Administration. All farm credit districts covered by the 528 associations as of June 30, 1940.

MANAGEMENT. While privately organized, these associations are supervised by the several production credit corporations and are under the jurisdiction of the Production Credit Commissioner of the Farm Credit Administration, appointed by the President. Managed by farmer borrowers under supervision of production credit corporations and Farm Credit Administration authorities. See *Management*, Federal Land Banks.

LENDING FUNCTIONS. Lend to farmers and ranchers for any general agricultural purpose of a short-term or intermediate-term nature, including crop production and the breeding, raising and fattening of livestock. Loans outstanding as of June 30, 1940, \$200,415,302.

TERMS. Loans are usually from 3 months to 1 year; renewals may be made when circumstances surrounding the loan warrant.

RATES. Interest rates may not exceed 3 per cent above the Federal intermediate credit banks' discount rates; the prevalent interest rate is 4½ per cent per annum.

CAPITAL FUNDS. Capital funds are provided in part by the production credit corporations and in part by the borrowers who must own class B stock in an amount equal to about 5 per cent of the amount of their loan. Class A capital, which on June 30, 1940, amounted to

82.2 per cent of total capital, is subscribed largely by the production credit corporations. Total capital on June 30, 1940, amounted to \$93,792,524. Class A stock has no voting power. Individual association capital ranges from \$60,000 to \$700,000.

OTHER FUNDS. Loan funds are obtained by discount with the Federal intermediate credit banks. The Government's capital is not loaned but is invested in bonds.

#### RECONSTRUCTION FINANCE CORPORATION

ESTABLISHMENT. Created by Reconstruction Finance Corporation Act, approved January 22, 1932. Began operations February 2, 1932.

AUTHORITY. Reconstruction Finance Corporation Act, approved January 22, 1932, and laws amendatory thereof and supplementary thereto.

LIFE. The corporation may perform all functions it is authorized to perform under law to close of January 22, 1947, or such earlier date as the President may authorize.

ORGANIZATION. Maintains a head office in Washington, D. C., 30 loan agencies established in cities throughout the United States, and two offices of special representative, one at Salt Lake City, Utah, and the other at San Juan, Puerto Rico. There are approximately 4,000 employees in the Washington and field offices.

MANAGEMENT. Management is vested in a board of directors consisting of five persons appointed by the President, by and with the advice and consent of the Senate; an executive committee consists of the chairman and two other members of the board.

LOAN AND INVESTMENT FUNCTIONS. Loan and investment functions include: loans to financial institutions, insurance companies, and railroads; subscriptions for and loans upon nonassessable stock of banks, trust companies, insurance companies, national mortgage associations, mortgage loan companies, purchases of capital notes or debentures of such institutions, and, in the case of insurance companies, loans upon such notes or debentures; loans to—drainage, levee, irrigation and similar districts, etc., and political subdivisions; mining and fishing industries; public school districts and other public school authorities; repair damages caused by floods or other catastrophes; Secretary of Agriculture to carry into effect the provisions of title I of the Bankhead-Jones Farm Tenant Act and the Rural Electrification Act of 1936, and for the purpose of making rural rehabilitation loans to needy farmers; loans for the carrying and orderly marketing of agricultural commodities and livestock; exportation of agricultural or other products; purchase of stock of Federal Home Loan banks, debentures or obligations of Federal Deposit Insurance Corporation, marketable securities from Public Works Administration.

For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the corporation is authorized and empowered to make loans to, or contracts with, states, municipalities, political subdivisions of states, etc., to aid in financing projects authorized under Federal, state, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise. The corporation is further authorized to purchase

the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available. Such purchases of securities and obligations and such loans may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise.

In order to aid the Government of the United States in its national defense program, the R.F.C. is authorized to make loans, or, upon approval of the Federal Loan Administrator and the President, to purchase the capital stock of any corporation for the purposes of: (1) producing, acquiring and carrying critical and strategic materials, and (2) plant construction and procurement of equipment for manufacture necessary to the national defense. The R.F.C. is further authorized, upon the approval of the Federal Loan Administrator and the President, to set up corporations with power to: (1) produce, acquire and carry critical and strategic materials, (2) purchase, build, expand, lease and operate plants for the manufacture of arms, ammunition, and implements of war, and (3) make advances on the purchase price of strategic and critical materials. The corporation may loan to, or purchase the capital stock of, such corporations.

TERMS. Vary depending upon class of loan.

RATES. Vary depending upon class of loan.

CAPITAL FUNDS. The corporation has capital stock of \$500,000,000, fully subscribed and paid-in by the Secretary of the Treasury on behalf of the United States from appropriation made by Joint Resolution of Congress approved January 27, 1932.

OTHER FUNDS. The corporation is authorized to issue notes, debentures, bonds or other such obligations. As of June 30, 1940, notes outstanding aggregated \$1,103,357,000, of which \$1,096,357,000 were held by the public, and \$7,000,000 by the Secretary of the Treasury.

As of June 30, 1940, loans and investments, exclusive of allocations by direction of Congress, were: authorized \$11,012,868,999.25, withdrawals or cancellations \$2,484,879,611.31, disbursements \$7,752,550,359.99, repayments and other reductions \$6,006,230,611.29, outstanding \$1,746,319,748.70.

#### THE R.F.C. MORTGAGE COMPANY

ESTABLISHMENT. Organized under the laws of Maryland, March 14, 1935, by the R.F.C.

AUTHORITY. Public Act No. 1 of the Seventy-fourth Congress extending the lending activities of the Reconstruction Finance Corporation.

LIFE. Life is not limited by charter or statute; however, the company may make loans only so long as capital is available or it can obtain additional funds from R.F.C.

ORGANIZATION. Main office in Washington, D. C.; operations carried on through agents whose offices are in various R.F.C. loan agencies; personnel is furnished by R.F.C.

MANAGEMENT. Managed by a board of directors of eight members elected by stockholders. R.F.C. is the sole stockholder.

LENDING FUNCTIONS. Makes loans to refinance dis-

tressted mortgages or other indebtedness on urban income producing property when private financing is not otherwise available and for construction of urban income producing property for which an economic necessity exists. Also makes loans to distressed holders of first mortgage real estate bonds and certificates upon security of their notes secured by such bonds and certificates. Company also purchases mortgages insured under Section 203, Title II, of the National Housing Act, as amended, covering properties constructed prior to January 1, 1937, and Title I, Class 3 loans, provided such mortgages and loans meet eligibility requirements.

Outstanding balances of loans and purchases, June 30, 1940, \$59,599,577.26; total loans, including purchases, disbursed through June 30, 1940, \$158,988,844.97.

TERMS. Loans usually for not over ten years, amortized to retire major portion in that period.

RATES. The rate of interest is 4½ per cent.

CAPITAL FUNDS. \$25,000,000 capital stock was subscribed for and purchased by R.F.C.

OTHER FUNDS. Additional funds are obtained by borrowing from the Reconstruction Finance Corporation.

#### RURAL ELECTRIFICATION ADMINISTRATION

ESTABLISHMENT. Created May 11, 1935, by Executive Order.

AUTHORITY. Emergency Relief Appropriation Act of 1935, Rural Electrification Act of 1936, and subsequent legislation.

LIFE. Indefinite. Working on a ten-year program.

ORGANIZATION. Maintains only one office, in Washington, D. C.; there are approximately 800 employees attached to the staff. Some field offices are contemplated for 1940-41.

MANAGEMENT. Management rests with an Administrator, named by the President, and functioning under the general direction and supervision of the Secretary of Agriculture.

LENDING FUNCTIONS. Lends for the building of power and light lines to serve persons now without electric service; also finances electric wiring of homes and farms through cooperative groups, corporations, public utilities and other public bodies. Outstanding loans to 617 cooperatives and 74 other borrowers, as of June 30, 1940, approximately \$270,000,000.

TERMS. Loans for constructing rural distribution systems are normally made to mature in 25 years, though some loans made during the earlier years of the program are on a 20-year repayment basis. Loans for wiring are amortized over a period of 3 to 5 years.

RATES. Same as the United States Government pays on its long-term obligations incurred in the next preceding fiscal year—2.46 per cent in 1940-41.

CAPITAL FUNDS. None.

OTHER FUNDS. Administration is following a ten-year program under statutory authorization of \$40,000,000 a year. Special legislation has authorized the use of additional funds from the Reconstruction Finance Corporation.

#### TENNESSEE VALLEY AUTHORITY

ESTABLISHMENT. Created by specific statute May 18, 1933. Amended August 31, 1935, and July 26, 1939.

AUTHORITY. Tennessee Valley Authority Act of 1933 and Tennessee Valley Authority Act of 1935, as amended July 26, 1939.

LIFE. Life of Authority is unlimited, unless dissolved by act of Congress.

ORGANIZATION. Maintains head office at Muscle Shoals, Alabama; other offices are located in Washington and in several cities in the Tennessee Valley area; as of June 30, 1940, the total number of employees approximated 13,900.

MANAGEMENT. Management rests with a board of three directors, headed by a chairman, all appointed by the President, with confirmation by the Senate.

LENDING FUNCTIONS. Authority may lend to states, counties, municipalities and non-profit organizations to enable them to acquire electric distribution facilities and may issue government-guaranteed bonds therefor.

TERMS. Maturity of loans not to exceed 50 years.

RATES. There are no statutory limitations as to rates on loans.

CAPITAL FUNDS. Organized as a corporation without stock, the three directors acting as incorporators. Capital obtained from appropriations.

OTHER FUNDS. \$50,000,000 was allotted under the National Industrial Recovery Act of 1933; total appropriations and allotments to June 30, 1940, \$270,069,270; appropriation for fiscal year ending June 30, 1941, \$40,000,000. Up until the enactment of the amendatory act of July 26, 1939, the Authority was authorized to issue bonds up to \$50,000,000 to cover costs of construction, and was also authorized to issue bonds guaranteed by the Government as to principal and interest up to \$50,000,000 to cover loans to public bodies. A total of \$8,572,500 of bonds were issued under this authorization.

By the act of July 26, 1939, the previous bond authorization was repealed and in lieu thereof the Authority was authorized to issue an aggregate of \$61,500,000 of bonds as follows:

(1) Not to exceed \$46,000,000 for the purchase of electric utility properties of the Tennessee Electric Power Company and the Southern Tennessee Power Company.

(2) Not to exceed \$6,500,000 for the purchase and rehabilitation of electric utility properties of the Alabama Power Company and Mississippi Power Company.

(3) Not to exceed \$3,500,000 for rebuilding, replacing and repairing electric utility properties so purchased.

(4) Not to exceed \$3,500,000 for constructing electric transmission lines, substations and other facilities necessary to interconnect the purchased properties with the system of the Authority.

(5) Not to exceed \$2,000,000 for making loans to states, counties, municipalities and non-profit organizations.

All of the bonds so authorized to be guaranteed as to principal and interest by the Government of the United States. A total of \$52,000,000 of bonds has been issued under this authorization.

#### UNITED STATES HOUSING AUTHORITY

ESTABLISHMENT. Creation authorized by 75th Con-

gress, approved September 1, 1937. Administrator took office November 1, 1937.

AUTHORITY. United States Housing Act of 1937.

LIFE. Body corporate of perpetual duration.

ORGANIZATION. Originally established in the Department of the Interior under the general supervision of the Secretary; consolidated into the Federal Works Agency July 1, 1939, pursuant to Reorganization Plan No. 1.

MANAGEMENT. Powers of the Authority are vested in and exercised by a single Administrator appointed by the President, with the advice and consent of the Senate, for a term of five years.

LENDING FUNCTIONS. Makes loans and grants to public housing agencies to assist in the acquisition, development and administration of low rent housing or slum clearance projects. Loans limited to 90 per cent of the cost of the projects, secured in any manner the Authority deems advisable. Also makes annual contributions up to a total of \$28,000,000 after July 1, 1939, to public housing agencies to assist in achieving and maintaining the low rent character of their projects.

Is authorized to take over and manage housing projects previously initiated by the Housing Division of the Public Works Administration, but is directed by statute to achieve the orderly disposal of such projects by sale or lease to local public housing agencies as soon as practicable. Is authorized to participate in the provision of housing for enlisted married men (excluding officers) or civilian employees assigned to duty at naval or military posts, and for persons engaged in industries essential to the national defense, upon a determination by the President that there is an acute shortage of housing in the locality involved which impedes the national defense program.

TERMS. Loans may have a maturity up to 60 years.

RATES. Interest rate shall be not less than the going Federal rate of interest at the time of loan plus one-half of 1 per cent.

CAPITAL FUNDS. \$1,000,000 capital stock; this sum appropriated to the Treasury to enable the Secretary of the Treasury to make payments on account of subscriptions to this capital stock.

OTHER FUNDS. Received by Executive Order of October 27, 1937, all unexpended balances allocated under Acts of Congress for housing and slum clearance to the Federal Emergency Administration of Public Works. May issue its obligations in the amount of \$800,000,000 whose maturity may run to 60 years at a rate not above 4 per cent. They are exempt from all taxation except surtaxes, estate, inheritance and gift taxes. As of June 30, 1940, loan contracts with 171 local housing authorities totaled \$638,213,000.

#### UNITED STATES MARITIME COMMISSION

ESTABLISHMENT. Organized in October 1936 to succeed the United States Shipping Board and Merchant Fleet Corporation.

AUTHORITY. Merchant Marine Act of June 1936.

ORGANIZATION. Head office in Washington with agencies in the United States and abroad.

MANAGEMENT. Commission consists of five members appointed by the President with Senate confirmation for staggered six-year terms. Not more than three members

shall be of the same political party. Commission organized by selection of a chairman and a vice-chairman from its membership. Organization divided into 12 divisions, each under a director, with a general counsel, secretary and executive director.

LENDING FUNCTIONS. Can make loans and grant subsidies for the construction of merchant vessels. It operates maritime and port property of the United States under very broad powers. Has taken over all loan and other contracts of the United States Shipping Board and Merchant Fleet Corporation.

TERMS. Construction and similar loans can have maturities up to 20 years.

RATES. Standard rate on loans is 3½ per cent with some modifications in the case of special contracts.

CAPITAL FUNDS. Appropriations by Congress to meet all expenditures authorized by the Merchant Marine Act, 1936, for the fiscal year ending June 30, 1940, \$100,000,000. For the fiscal year 1941 the appropriation granted totals \$144,500,000.

OTHER FUNDS. All proceeds from sale and charter of vessels, earnings from terminal property and other miscellaneous revenues go into a revolving "Construction Fund" from which all disbursements, including loans, are made. Among the assets of the Commission as of May 31, 1940, \$59,600,000 is outstanding in loans and ships' sales balances which cover both sales by the former Fleet Corporation and the sales of new construction by the Maritime Commission. Appropriations for the fiscal year 1940 included authority to contract for additional ship construction in the amount of \$230,000,000. There was also appropriated for the fiscal year 1939, \$500,000 to set up a revolving Federal Mortgage Insurance Fund for the purpose of insuring vessel mortgages privately owned, as authorized under Title XI of the Merchant Marine Act, 1936, as amended.

#### UNITED STATES POSTAL SAVINGS SYSTEM

ESTABLISHMENT. The first post offices designated as Postal Savings depositories were authorized to transact business January 3, 1911.

AUTHORITY. The Postal Savings Act approved June 25, 1910.

LIFE. This is a permanent agency of the Government.

ORGANIZATION. Operated through post offices, using the regular post office personnel.

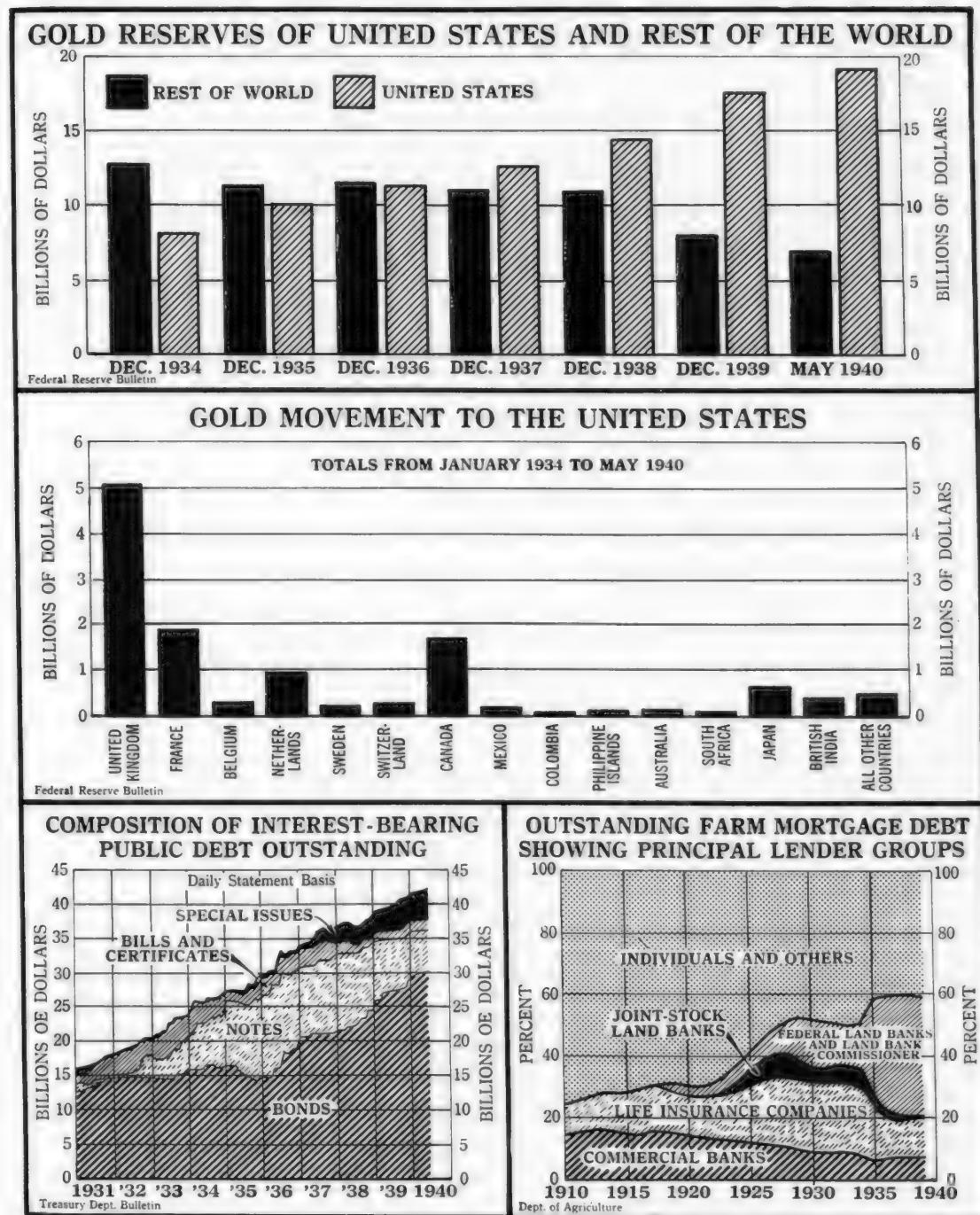
MANAGEMENT. The System functions as a division of the Post Office Department acting through a board of three trustees, each a head of an executive department, of which the Postmaster General is the *ex-officio* chairman; it is placed for administrative purposes under the Third Assistant Postmaster General with a superintendent at its head.

OPERATION. Postal Savings receipts are to be redeposited in commercial banks so far as possible, but owing to a lack of demand 94 per cent of total Postal Savings, amounting to \$1,292,980,828 (estimated) as of June 30, 1940, are now invested in Government securities. Interest at the rate of 2 per cent per annum is paid depositors; banks are required to pay 2½ per cent on Postal Savings funds deposited with them. The System does not loan money or perform other similar banking functions.

# A Picture of Business

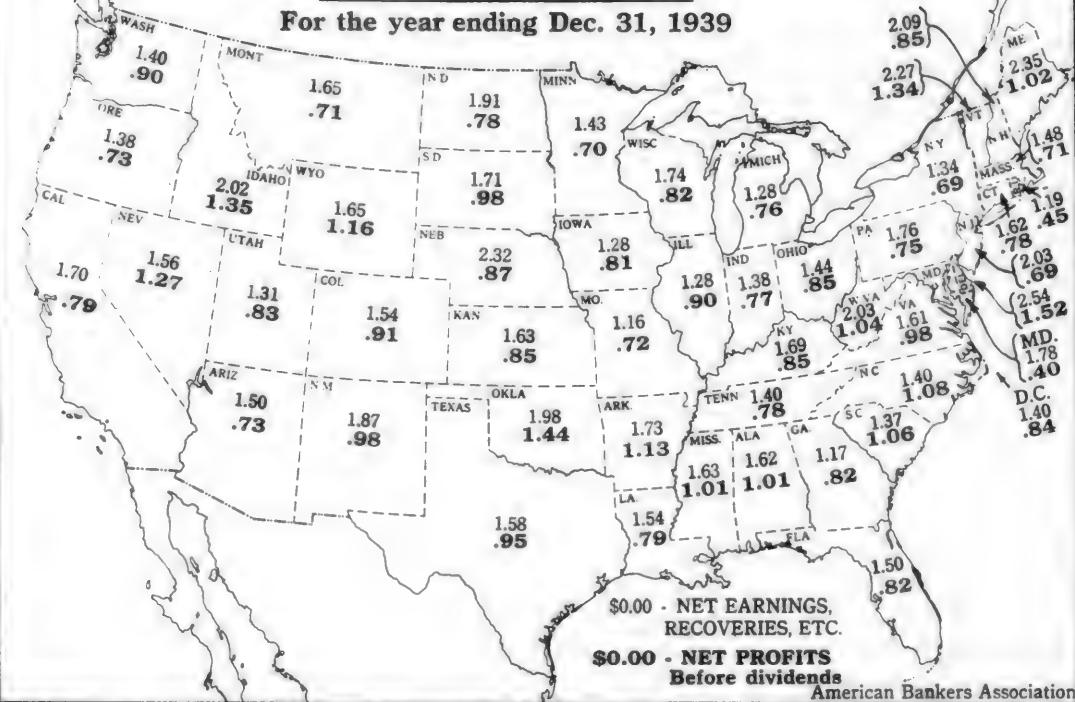
THE charts and maps that appear on these pages are intended to give BANKING's readers a graphic summary of certain business factors in today's news. The data come from a variety of sources—The Federal Reserve

*Bulletin*, Bank Management Commission of the American Bankers Association, Department of Commerce and two studies of the National Bureau of Economic Research (see page 56).



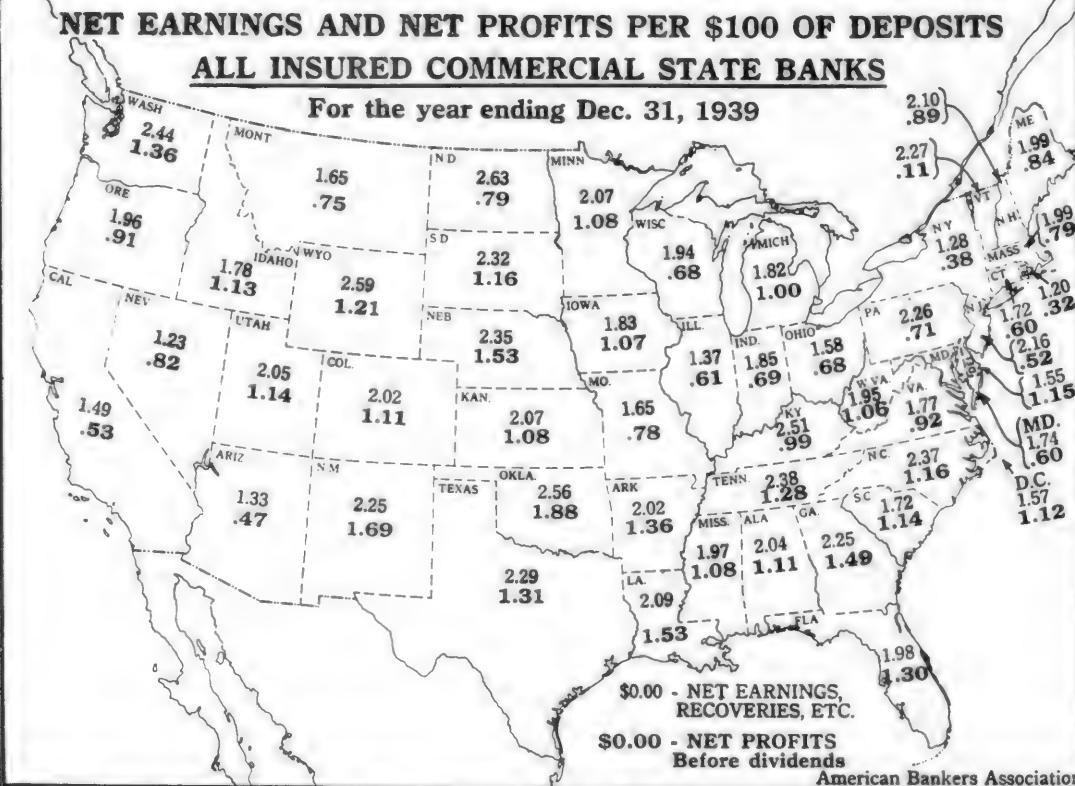
**NET EARNINGS AND NET PROFITS PER \$100 OF DEPOSITS  
ALL NATIONAL BANKS**

For the year ending Dec. 31, 1939

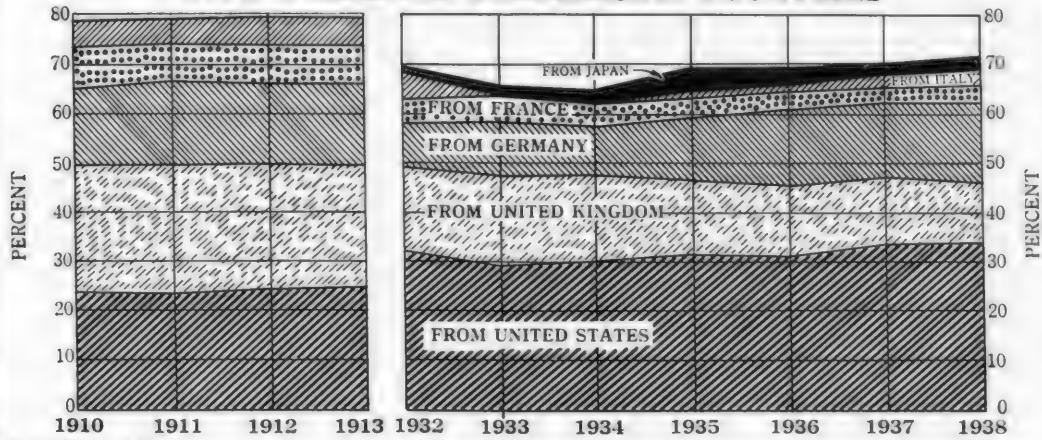


**NET EARNINGS AND NET PROFITS PER \$100 OF DEPOSITS  
ALL INSURED COMMERCIAL STATE BANKS**

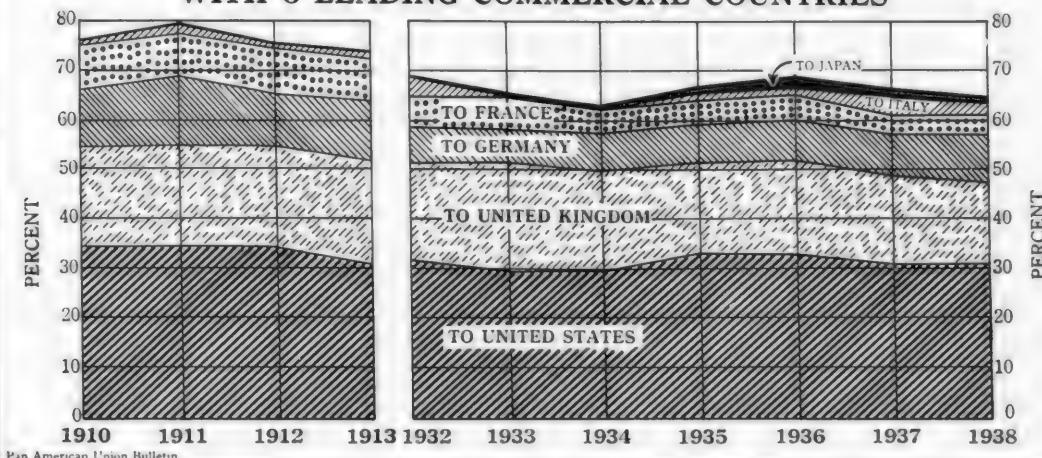
For the year ending Dec. 31, 1939



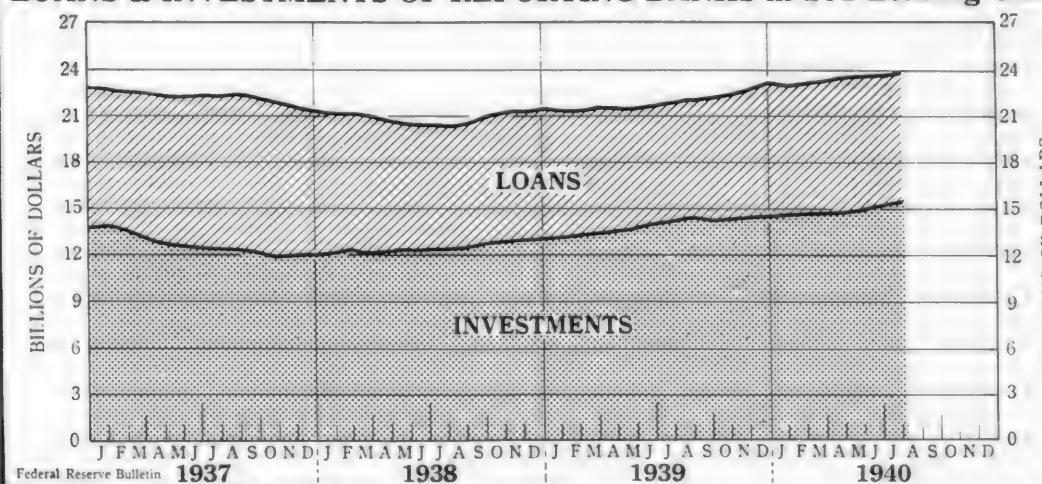
### IMPORT TRADE OF 20 LATIN AMERICAN REPUBLICS WITH 6 LEADING COMMERCIAL COUNTRIES



### EXPORT TRADE OF 20 LATIN AMERICAN REPUBLICS WITH 6 LEADING COMMERCIAL COUNTRIES



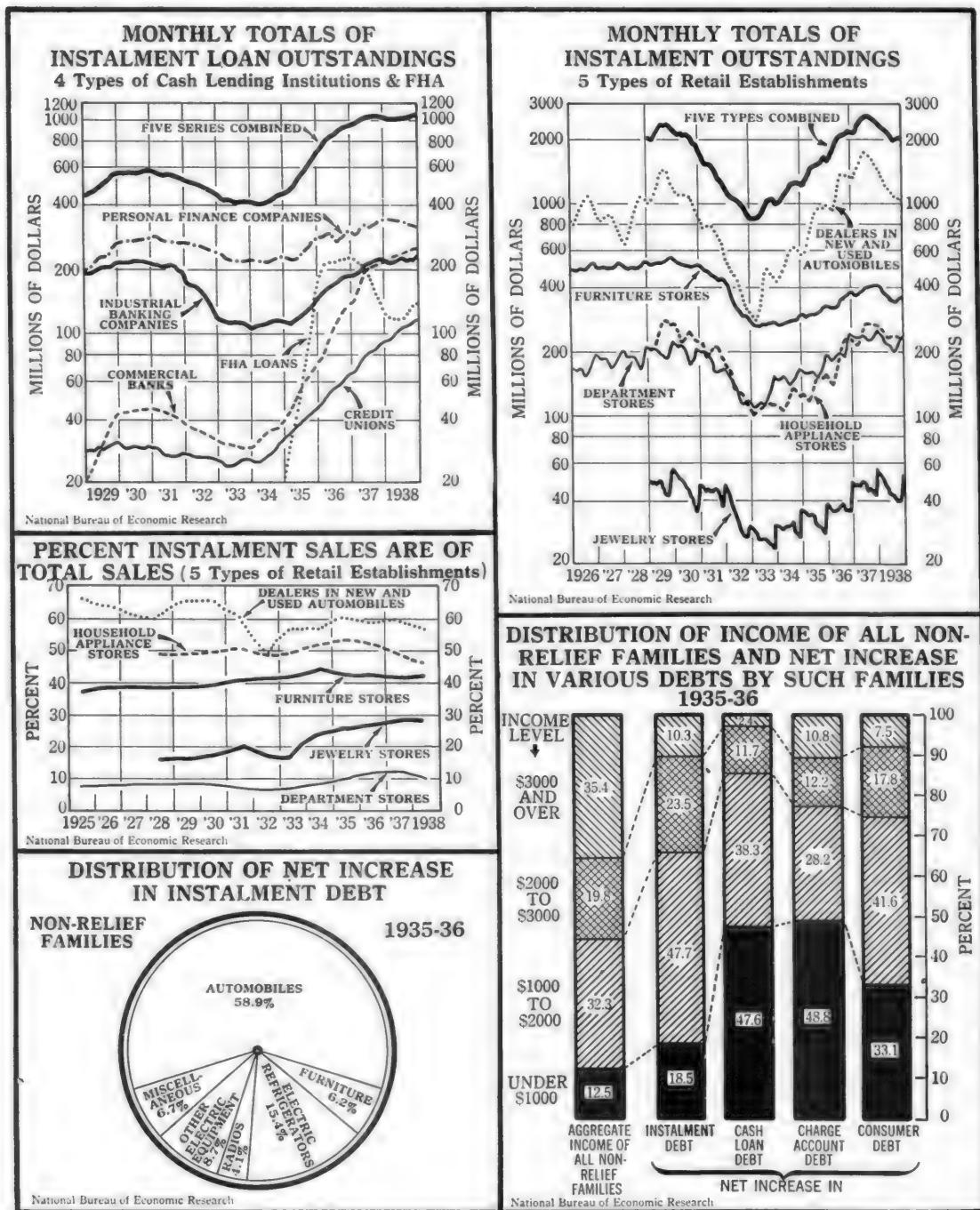
### LOANS & INVESTMENTS OF REPORTING BANKS in 101 Leading Cities



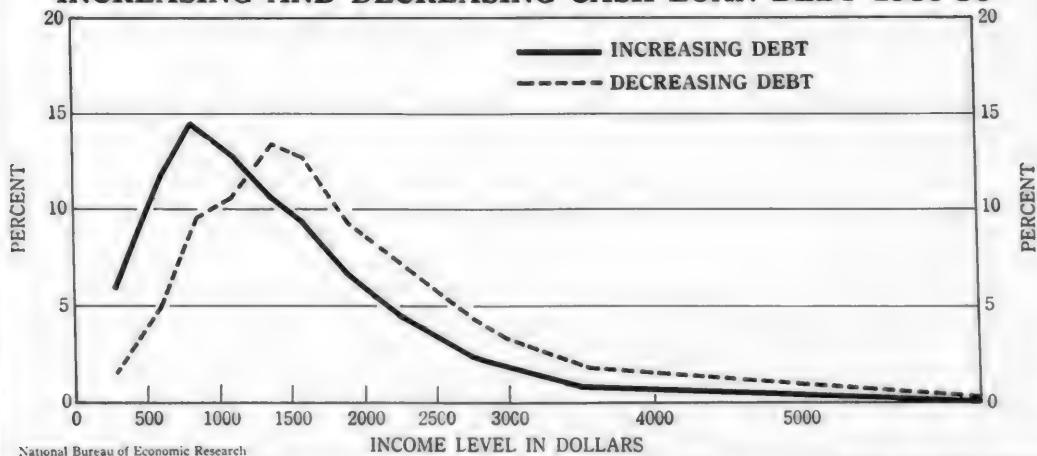
## Consumer Credit

THE data in the charts on these two pages are taken from two of the studies of the National Bureau of Economic Research.

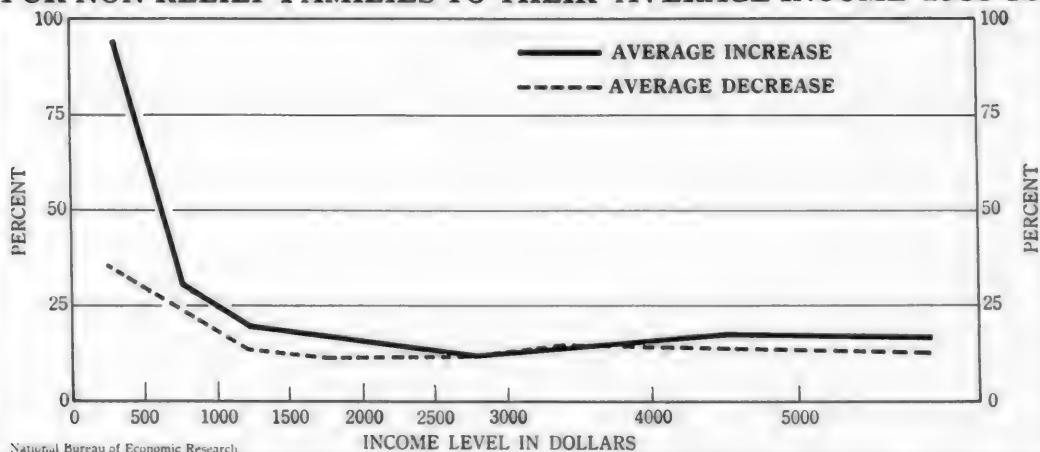
These two are entitled *The Pattern of Consumer Debt*, by Blanche Bernstein, and *The Volume of Consumer Instalment Credit*, by Duncan Holthausen, Malcolm Merriam and Rolf Nugent. They are part of a series of studies being published under the general title, *Studies in Consumer Instalment Financing*. (Another of the series is reviewed on page 61 of this issue of BANKING.)



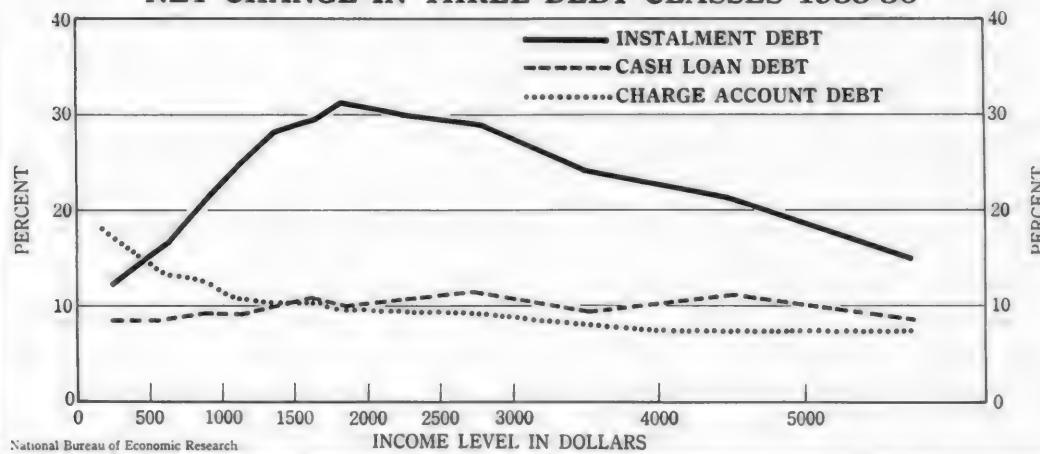
**PERCENTAGE DISTRIBUTION OF NON-RELIEF FAMILIES  
INCREASING AND DECREASING CASH LOAN DEBT 1935-36**



**RATIO OF AVERAGE INCREASE AND DECREASE IN CASH LOAN DEBT  
FOR NON-RELIEF FAMILIES TO THEIR AVERAGE INCOME 1935-36**



**PERCENTAGE OF NON-RELIEF FAMILIES HAVING A  
NET CHANGE IN THREE DEBT CLASSES 1935-36**



# *The 40-hour week is no problem in more than 4000* RECORDAK-EQUIPPED BANKS

**W**HILE all banks have for years anticipated the need for a shorter work week, simpler bookkeeping, lower operating costs—thousands of well-managed banks, large and small, have already effected all three of these objectives by installing the Recordak Photographic System of Single Posting.

As every banker knows, under the old dual posting system, the posting of ledger records takes at least half the bookkeeper's time. But install the Recordak Photographic System of Single Posting, and you eliminate the posting of ledgers *separately* from statements . . . and the bookkeepers finish their work well within the 40-hour week.

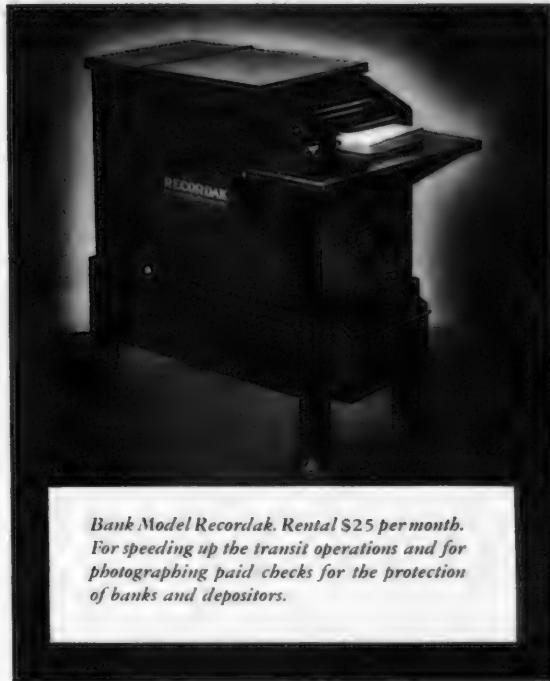
That, however, is just the beginning of the job that Recordak does for the Bookkeeping Department . . .

It provides indisputable proof of accuracy; each individual entry on a cus-

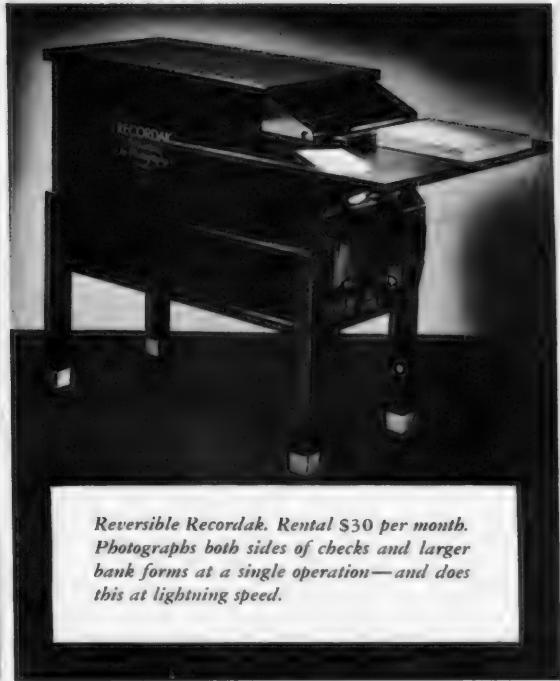
tomer's account is backed by a photograph of the item creating the entry. It reduces machine equipment requirements up to 40%, and operating time by as much as 35%—an entire ledger record of 700 accounts for a full month is created by photography in 15 minutes. Stationery costs drop 50%. Storage space required is reduced by 98%.

And, in addition, these Recordak-equipped banks have achieved an accuracy and safety never before possible. Their records are now *photographic* records retained in tamper-proof, extraction-proof, and substitution-proof security on Recordak Safety Film.

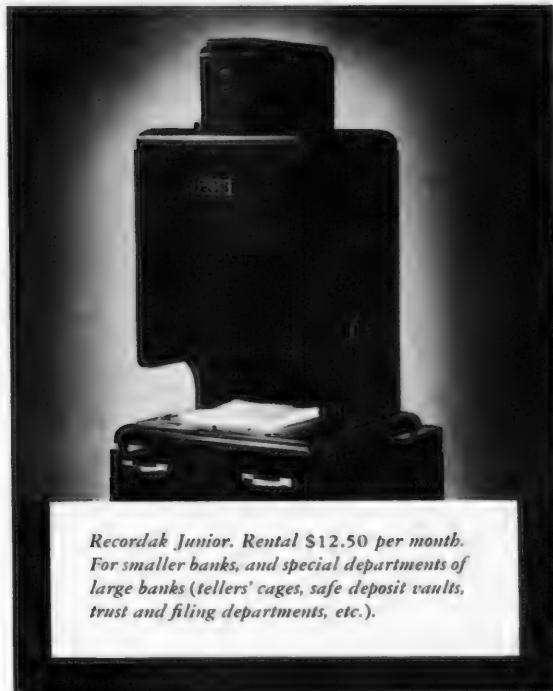
Recordak Systems require no capital outlay; Recordak is rented, not sold. For information, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



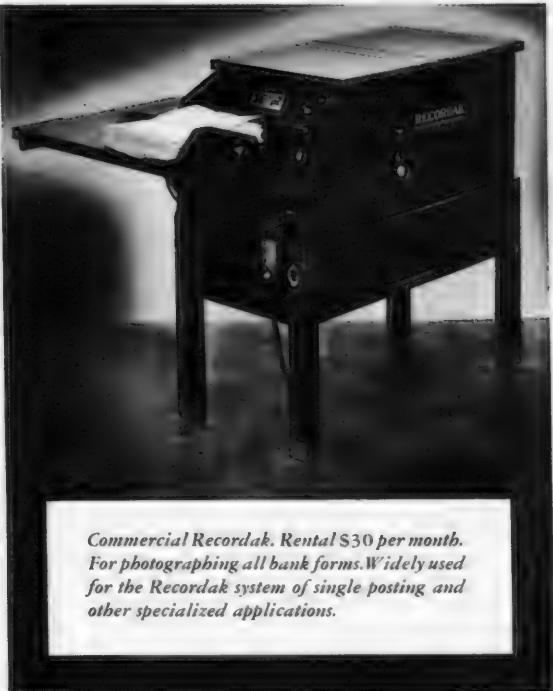
*Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.*



*Reversible Recordak. Rental \$30 per month. Photographs both sides of checks and larger bank forms at a single operation—and does this at lightning speed.*



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*Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.*

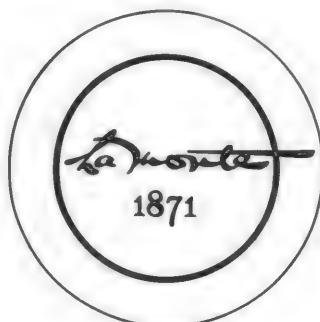
# RECORDAK

## PHOTOGRAPHIC ACCOUNTING SYSTEMS

REASONS WHY BANKS PREFER  
LA MONTE SAFETY PAPERS

PROTECTION
GOOD WILL VALUE
RECOGNITION
PRESTIGE
INDIVIDUALITY
ACCEPTANCE
WRITING SURFACE
PRINTING SURFACE
DURABILITY
<input checked="" type="checkbox"/> <b>UNIFORM QUALITY</b>

# UNIFORM QUALITY



When a line of West Pointers goes swinging by, your admiration is not for the individual but for this splendid body of men as a whole » » » And in the parade of checks that pass through your institution, you cannot fail to be impressed by the preponderance of important banks and business houses that use "La Monte"—as well as by the uniformly fine appearance and obvious quality of "the safety paper with the wavy lines".

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**GEORGE LA MONTE & SON, NUTLEY, N. J.**

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# A Consumer Credit Problem

## *Canada's Action Is a Sidelight*

WALTER B. FRENCH

Mr. FRENCH is Deputy Manager of the A.B.A., in charge of the Consumer Credit Department.

ONE of the questions uppermost in the minds of bankers having consumer credit departments in their banks is: What effect, if any, will war, or the preparation for war, have on these departments? That war will have some effect goes without saying, not only as far as the risk involved is concerned, but also the influence it will have on one great mass of potential borrowers and their habits and customs.

Habits and customs are an important consideration in deciding whether a person is a desirable risk in a small loan department. The way people live and how they spend their money are important factors. Taking the experience of the consumer credit agencies during the last war as a guide, the indications are that some changes will occur. It might be well for us to consider these possibilities. We might also examine with profit the action other countries have taken to protect borrowers who are called into service.

A country at war, or preparing for war, needs all of its man power not only in the service forces but also on the farms, in the factories and in every other branch of industry. The demand for labor is far greater than the supply; consequently, under our form of government, wages are likely to go up because employers begin competing for workers. Many wage earners receive reimbursement they never had before. People long unemployed suddenly find positions paying good wages. In many cases, the temptation to buy luxuries, heretofore impossible, is too great to resist, and many people live right up to every dollar of their incomes.

UNDER economic pressure of this kind, the cost of living rises rapidly and, in itself, is responsible for using up a large part of the weekly pay check. When any emergency arises, many of these people will be obliged to borrow. Lending money at a time when the cost of living is going up presents a problem which must be given full consideration when the application for a loan is made.

Also, at a time like this, values change considerably. This concerns our consumer credit departments, principally in the automobile and equipment or industrial divisions. The original cost or purchase price of electric refrigerators, washing machines, oil burners and equipment of that sort is likely to rise. Automobile prices are also likely to advance. Among others, there are two important reasons for this. First, a part of the production of these factories is used by the service forces. This is particularly true in the case of automobiles. Second, factories formerly used for the production of the afore-

mentioned articles are converted for the manufacture of more important war materials, with the result that there may be a market shortage.

Used cars will undergo a complete change in valuation, whereas now three years is about the age limit a bank will consider in financing a used car. Under extreme war industrial activity, cars of the five or six years' vintage will be quite acceptable. The cash value of these five- and six-year-old cars may be as much as that of a three-year-old car today.

The possibility of a moratorium for all men called for military service and its effect on our consumer credit departments should give us serious thought. During the first World War we had no moratorium, but neither did England or Canada. England passed such legislation this year when she called her men up for service, and at least two provinces in Canada have passed bills protecting their soldiers from suits on debts contracted before they were called to the colors. Correspondence with one bank in Canada discloses the fact that the experience has been excellent as far as bank paper is concerned. What has happened, in most cases, is that some one in the soldier's or sailor's family has come forward voluntarily to assume the debt. We can imagine what happens in each case: the one assuming the debt has benefited in some way because of the debt, and in most cases it is not a question of income, because almost every one in the family who wants to work can get some kind of a job.

THIS very commendable attitude would not hold in the case of every note. In many cases, the borrower called for military service may have no immediate family, or the family may not be in a position or may not be inclined to assume the debt voluntarily. If a moratorium is passed in this country, our experience will depend to some extent on its form. Taking as an example the legislation that was enacted on February 16, 1940, by "His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Alberta," we find, in paragraph one of part two of the act, the following language:

No person, without first having obtained a permit in writing from the board constituted pursuant to The Debt Adjustment Act, 1937, giving consent thereto in writing, shall take, maintain or continue any action or proceedings, judicial or extra-judicial, against any person who is a soldier or against the wife or any dependent member of the family of a soldier for the enforcement of payment of any debt, liability or obligation incurred before the date upon which the soldier became a soldier (\*) within the meaning of this Act, or for the enforcement of any mortgage,

(\* Soldier—sailor—airman of Canada or in the service of any of His Majesty's allies.)

(CONTINUED ON PAGE 70)



Photograph courtesy of The General Tire and Rubber Company

Tire makers manufacture trouble. They build devices that will inflict even greater punishment on fabric and tread than tires are likely to receive in actual use: excessive loads, severely roughened surfaces, sharp anvils—all to test the way their product will hold up under shocks and jars that tear and break.

With a bonding company it is different. Synthetic tests cannot be devised. But the years themselves provide the troublesome times needed to reveal how well a company will thrive...how well it will meet the reserve-

sapping drain that downward economic cycles impose.

The F&D has successfully met the tests of the past five decades. Its strength in meeting its obligations and its power of endurance are matched by its ability to provide the complete bonding coverage that today's banks and businesses require.

Call the F&D representative in your locality...he is one of 9500 specialists throughout the nation who are ready promptly to supply the individualized protection you need.

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BANKING

# Uniformity in Bank Taxes

MARTIN SAXE AND DONALD HORNE

Messrs. SAXE and HORNE are tax experts who frequently write for BANKING.

THE recent questionnaire of the Senate Banking and Currency Committee, relative to prospective revision of the banking system, contained two questions reading as follows:

"Does the taxation of banks in accordance with the provisions of Section 5219 of the United States Revised Statutes keep down the volume of bank capital?"

"Do you favor any change in this section of the law?"

In view of a public statement of the Federal Deposit Insurance Corporation that some 6,000 banks were rated by the Corporation as having "inadequate capital", the questions are exceedingly timely.

It is a matter of declared public policy and important to all banks that they build up their surpluses equal to their capital stock. The National Bank Act requires that, before the declaration of a dividend on common stock, net profits be carried to surplus to the extent of 10 per cent annually until the bank's surplus equals the amount of its common capital. The policy of building up such a large surplus is to provide a wide margin of security deemed necessary for complete soundness.

It is self-evident that excessive or discriminatory state taxation of banks hampers the accumulation of surplus, and that in case of a low income period, such taxation threatens to impair capital stock. Taxation of this sort, however, not only imperils the structure of existing banks, but discourages new banking ventures, a result which comes within the first question of the Senate Committee.

One of the considerations which led the State of Colorado recently to change from the general property tax to the excise tax measured by income—the fourth method of state taxation permitted by Section 5219, R.S.—was the fact that some 64 banks had closed their doors. When the new system of taxation was adopted, some of these banks took steps toward rehabilitation.

The Federal Deposit Insurance assessment on deposits, whether or not invested, adds enormously to the tax burden of national banks and state banks which are members of the Federal Reserve System, which their competitors are not required to bear, and which, when their competitors voluntarily assume it for reasons of security and public policy, becomes a heavy burden for them also. This paramount obligation must be given due weight in considering the effect of other taxation on banks, and the limitations that should be placed thereon.

Sound banking policy and the requirements of the Federal Deposit Insurance Corporation look to steady additions to surplus. *Ad valorem* taxation increases the tax burden when such additions are made. It logically follows that that method in states using the general

property tax tends to keep down bank capital in contrast with the flat millage intangible personal property tax and the net income methods which produce no result of this nature, thus encouraging and permitting the strengthening of bank capital.

PRIOR to 1923, the tax was on shares exclusively, and the word "rate" appeared only in the phrase "shall not be at a greater rate than is assessed upon other moneyed capital". Until recently, the assumption has been general that the word "rate" meant aggregate *percentage of value*. The question has been suggested, what does the word "rate" mean, as used in the several places in the section? Does it mean the same in all places? At present the word appears again with respect to income taxes and excise taxes measured by income, in the clause "shall not be higher than the rate assessed upon other financial corporations nor higher than the highest of the rates assessed by the taxing state upon mercantile, manufacturing and business corporations doing business within its limits".

The word "rate", when used with reference to an income tax, invariably means *percentage of income*. An *ad valorem* share tax bears no relation to income, and would be the same if there were no income; whereas, an income tax takes no account of capital value, and would be the same irrespective of the amount of capital from which the income was derived, or if the income was produced solely from service. Consequently, there is no basis of comparison between the rate of an *ad valorum* share tax and the rate of a tax on or measured by income. That is probably the reason why section 5219, R.S., as amended in 1926 to permit taxation on or measured by income, requires election of one exclusive method of taxation. This restriction prevents comparison of relative burdens except where there is a common standard of comparison.

WHILE Section 5219, R.S., as at present constituted, prevents unjust discrimination against national banks within each state, and in effect protects state banks as well, it does not eliminate, in many states, the evil of inequality throughout the state, due to different methods of valuation and different rates in certain localities. Even in states where the income or income-excise tax prevails, the inequality may exist, as where a city or other municipality imposes an income tax in addition to the state income tax. A condition almost as unsalutary as unjust discrimination is inequality of taxation among the banks themselves.

Uniformity of bank taxation, both intrastate and throughout the nation, is desirable for three reasons: (1) the nature of the banking business and of its nationwide functions of reflecting and expressing supply and demand and furnishing the financial mechanics of pro-

duction and commerce, requires that, for best results, excessive burdens should not be placed on some banks in comparison with banks in other localities, with whom they are attempting to furnish their share of cooperation; (2) membership in the Federal Reserve System renders the interests of national banks and many state banks common; and (3) 90 per cent of all banks are members of the Federal Deposit Insurance Corporation, hence are directly interested in the success and welfare of each other; all such banks have to pay a fee in the nature of a tax, which adds to the burden on

their net incomes, and a tax out of line on some banks has an adverse effect on all banks.

The development of the Federal Reserve System and the coordinate Federal Deposit Insurance System has tended to weld all banks into a single banking system in which the functions of one bank are similar to those of another, whether national or state, and each renders its most effective public service in cooperation with one or more other banks. The tax problem of banks is no longer discrimination against one class of banks in favor of another in competition, but inequality between

banks of the same class, and between all banks, which hampers their most effective cooperation.

The important factors to be considered in appraising the present value of Section 5219, R.S., are (1) the necessity of soundness which dictates the public policy of encouraging large surplus and penalizing the failure of banks to accumulate surplus out of net earnings; the fact that the Federal Deposit Insurance Corporation deems the capitals and surpluses of 6,000 banks inadequate owing to the great rise in the deposits of banks due to large gold imports and deficit financing by the Federal and state governments and political subdivisions; (3) that fact that the banking system, although a dual system, is becoming more and more unified, with a singleness of aim and function, achieving its most beneficial results to the public by cooperation rather than competition; (4) the fact that the Federal Deposit Insurance Corporation's annual assessments on deposits whether or not invested, borne by banks, constitutes a burden such as no other industry carries; and (5) the fact that the state tax burden on both national and state banks is very unevenly and unequally distributed throughout the country, varying to a surprising degree among as well as within many of the states.

The statement alone of these factors suggests the nature of the formula needed to improve Section 5219, R.S. Congress has control of the tax situation, not only of national banks, but, in effect, of all members of the Federal Reserve System. The formula should, without interfering with the tax systems of the several states, provide some method of equalizing the tax burden of banks of all kinds, by some limitation which would operate, not only against discrimination in favor of competitive capital, but against lack of uniformity of tax burden among the banks themselves.

Clarification of the fourth alternative, the tax measured by income from all sources, is needed to show that the tax authorized is an excise, to be compared only with taxes of like character imposed on other financial, mercantile, manufacturing and business corporations. Some liberalization of Section 5219, R.S., may be appropriate to permit certain sales and use taxes and license fees on banks, when imposed on persons and corporations generally and not related directly to the banking business, in order that this section may not stand in the way of raising state and local emergency revenue.

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# A Study of Sales Finance

MILAN V. AYRES

*The author is secretary of the Association of Finance Companies.*

THE National Bureau of Economic Research has just published a book entitled *Sales Finance Companies and Their Credit Practices*, by Wilbur C. Plummer and Ralph A. Young. It constitutes Number 2 in a series of "Studies in Consumer Instalment Financing," resulting from a broad program of research in finance inaugurated by the National Bureau in 1938 under grants from the Association of Reserve City Bankers and the Rockefeller Foundation.

This is the most adequate book on sales finance companies which has yet appeared, although it falls far short of a complete coverage of that field. It would be easy to mention the titles of other books which might be written, and some of which ought to be written, about sales finance companies, such as for instance, "Accounting Practices of Sales Finance Companies," "Organization and Management of Sales Finance Companies," and "Significant Operating Ratios in Sales Finance Company Business."

The present book is not confined to the subject matter indicated by the title. Perhaps necessarily, it devotes considerable attention to problems connected with instalment selling and lending, and to their social aspects of instalment selling and financing.

BECAUSE the general subject of this series of publications is "Studies in Consumer Instalment Financing", the authors of this book made some effort to limit its scope to the consumer instalment financing done by the finance companies. The effort was not wholly successful for the reason that the available statistics do not permit of any such exact separation, and for the further reason that to ignore all of the business done by sales finance companies which is not consumer instalment financing would present a very distorted picture. A very substantial proportion of the goods financed by these companies consists of motor vehicles, store equipment, shop machinery and even heavy power plant machinery.

Finance companies are commonly classified as national, regional and local. The authors consider that there are now three national companies which operate in all states, five regional companies which operate in eight or more states, and a comparatively large but indefinite number of local companies, some of which, however, operate in perhaps two or three states.

The total number of sales finance companies is a matter of some uncertainty, but some figures from the 1935 census appear to indicate that the number is in the neighborhood of 1,500. It will perhaps never be possible to determine a completely satisfactory figure, because there are many companies of such varied interests that it is difficult to classify them. In particular, there are a

good many whose outstandings are about equally divided between small loans and retail instalment paper.

The classification of national, regional, and local, as used in the book, is probably based almost exclusively on the automobile business of the companies in question. It is probable that there are a number of diversified, factory-owned companies which are national in scope although small compared to the three big nationals.

The book devotes considerable space to the presentation and analysis of such statistics as are available relating to the instalment buyers whose purchases are financed by the sales finance companies. These purchasers are classified by age, income, size of family, and other characteristics and these attributes are related to the size of the debt incurred for new cars, for used cars, and to some extent to other purchases.

THE book emphasizes in many places the importance of the fact that the buyer seldom deals with the finance company directly until after the instalment purchase has been made. Thus he does not borrow money from the finance company, but obtains an extension of credit from his dealer.

For a good many years certain would-be reformers have been clamouring for a change in instalment selling practices, which would result in the stating of the finance charge in the contract as a per cent per month on the declining balances instead of a flat amount in dollars. The authors of the book comment on the fact that spokesmen for the finance companies stoutly object to this proposed reform, and then they say: "Their position is of course based on the assumption that if charges were quoted as interest they would be interpreted as interest and therefore be subject to laws regulating interest."

That is the one statement in the book with which I wish to take emphatic issue. The reason given is not a matter "of course". In fact, it is not even true. The real objection to the plan is that it would be inconvenient and costly to instalment sellers and the sales finance companies, and inconvenient to buyers. The extra costs, of course, would have to be passed on to the buyers.

It must be remembered that these contracts do not originate with the finance companies, but with the dealers. The dealers therefore are the ones who would have to incorporate the method of stating the charge in the contract. Any law requiring such a change, to be practical, would have to apply to all instalment sales and not specifically to sales finance companies.

In general the book is an excellent piece of work, well conceived and well carried out. It is remarkably free from any evidence of prejudice, and a judicial attitude of mind is apparent throughout. It will probably be for a long time the best single source of information about sales finance companies.

# Know Your Bank

G. FRED BERGER

Mr. BERGER, treasurer, Norristown-Penn Trust Co., Norristown, Pa., was chairman of the meetings of bank equipment and supply manufacturers, held in New York March 4 and 5.

**T**o have, or not to have—an equipment and purchasing supply policy—that is the question!

That sounds like a paraphrase of Hamlet's soliloquy—and it's supposed to be! But Shakespeare wasn't the only bard who understood human nature, as is evidenced by Alexander Pope, who wrote:

"In words, as fashions, the same rule will hold,  
Alike fantastic if too new or old;  
Be not the first by whom the new are tried,  
Nor yet the last to lay the old aside".

In the last two lines the "cap fits" the equipment and purchasing policies of most banks a little too closely for comfort. Surely bankers should not be the first to try each new gadget supposed to improve banking service, but most of us do an extremely good job of trying to be the "last to lay the old aside", for we are often loath to change an antiquated service for a newer one even though it has been proved by the experience of the manufacturers and by banking usage to be needed.

In extenuation it is only fair to say that of the 16,000 banks in the United States, over 14,000 of them have deposits of less than \$5,000,000, and that over 8,000 of this number have deposits of \$500,000 or less.

This means that in these banks the purchasing of equipment and supplies is usually the responsibility of an executive whose other activities almost of necessity relegate this duty to one of secondary importance.

And, for that matter, in all except the very large banks (though this responsibility may be assigned to a junior officer) if equipment purchases of any importance are to be made, senior officers or directors, each of whom may have little knowledge of the operating problems to be benefited, must finally approve the purchases. Under such circumstances, there is a natural hesitancy on the part of the junior officer, to whom this responsibility has been assigned, to consider new equipment and supply ideas as they are presented.

In the larger banks the responsibility is usually assigned to a purchasing agent, but here, as in the case of the busy executive of a smaller bank and the junior officer of a medium sized bank, all too often the approach of a highly trained equipment or supply salesman is greeted with a "too busy" or "not interested".

It is only fair at this point to state that a good many of these salesmen, while they are splendidly equipped with technical information to sell their product, have not been very well equipped with approaches and also have, in too many instances, not learned the virtue of brevity. It is therefore quite natural that the banker, busy in a day which is usually all too short, doesn't want to lose part of that day listening to a long story.

On the other hand, however, where bankers have been too busy and, one might say, negligent in applying research to the subjects of bank equipment and bank supplies looking toward the improvement of bank operation, the manufacturers of those products have spent much time and money in research in order to ascertain the various advantages their products may offer to bankers. Yes, it's true that these manufacturers have a selfish motive, but what difference as long as the products they offer provide us with methods, and the recommendations they make, with ideas for improving our service, speeding operations to permit compliance with the Wages and Hours Act, and the like? If a salesman can justify his product, then it would seem that we, as bankers, are not taking full advantage of the research efforts of the manufacturers when we do not organize our purchasing policies so that we may be certain that the story of the product is heard and understood.

How? Suppose it were the policy of all banks to give salesmen a *brief* hearing in order to ascertain whether the product offered is one which *might* be of interest to improved and more economical operation. Then, having decided that the product has merit, suppose our policy provided that the head of the interested department (or, in a small bank, the staff member who would be most interested) had the opportunity to hear the salesman's story from a practical operational point of view. If the department reports that the product would improve service, a more detailed discussion might be had with those who must pass on the purchase.

If such a policy were to be adopted, we, as bankers, would be assured that the manufacturers and their salesmen would always have a well earned opportunity to bring to our attention the advantages of the use of their products, and we could always feel certain that our service to the public would have the benefit of the advantages made available by the latest research.

At the New York equipment meeting last Spring



101 BANKING



## Here's Why G-E Equipment Makes for a Better Mortgage Risk

- 1. Desire to Retain Ownership**—Financial ability alone is *not* enough to assure a good mortgage risk. *Desire* to retain ownership may be even more important. Owners of G-E equipped homes find beauty, convenience, economy, and pride of ownership that they are reluctant to give up under any circumstances—they *desire* to keep up the payments.
- 2. Ability to Retain Ownership**—Home ownership breaks down into two parts: the cost to BUY, and the cost to OPERATE. Unexpectedly high operating and maintenance costs (heating, cooking, refrigeration, water heating, etc.) can seriously undermine an owner's ability to keep up payments. That's why the inclusion of G-E equipment, with its high reputation for efficiency, low maintenance, and long life, has a definite bearing on *ability* to retain ownership.
- 3. Low Obsolescence**—G-E kitchens, G-E wiring, G-E heating plants meet the highest standards of today—standards that your own observations tell you will be essential tomorrow. Obviously, the inclusion of such equipment today reduces tomorrow's obsolescence.

Why not send in the coupon for "Electrical, Mechanical, and Convenience Equipment... Its Influence on Mortgage Lending," a booklet written by a man in your own profession?

General Electric Home Bureau  
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Bridgeport, Conn.

Please send me your notes on electrical equipment and its connection with mortgage lending.

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Address.....

City..... State.....

County.....

**GENERAL**  **ELECTRIC**

# Simplified Insurance Control

A. WILBUR NELSON

*In subsequent issues BANKING will publish the practical cases of how insurance is being handled in one of America's largest banks and in one of the smallest. A. WILBUR NELSON, author of this article, has devoted years of study and application to the broad subject of insurance and what it will do for the policyholder. As insurance editor, author of syndicated newspaper insurance columns and until recently assistant to the general manager of the National Board of Fire Underwriters, Mr. NELSON combines the views of an insurance man with those of the assured, toward the end of getting the most out of one's insurance protection.*

**H**AVE you a practical insurance program in your bank? Is it adequate?

The answer to these questions is important because a bank's insurance needs are as broad as the field of insurance itself and a careful study—a check-up—of your bank's insurance program will determine whether or not you are getting the most out of what insurance has to offer you.

To facilitate this process, BANKING, in its October (1939) issue, offered the initial article of a study covering all important phases of insurance from a banking standpoint. Other articles followed in November and December 1939 and in February, May, June and August 1940, dealing with such aspects of the question as organizing an insurance department, analysis of insurance needs, material damage, legal liability, direct financial loss and insurance on borrowers.

The basic principles discussed in the series are as applicable to a small bank as to a large one and the authors are to be commended for their attitude in stressing the "new, vitalized interest in the power of insurance".

Harold G. Eberle, manager of the insurance department of the Hartford-Connecticut Trust Company, Hartford, Conn., and Horace W. Ervin, account executive, specialist in insurance company accounts for Albert Frank-Guenther Law, Inc., New York advertising agency, are the authors.

As they say in their introduction: "Insurance has stepped out of the bank vault and up to the officers' platform, no longer lying sealed in a cellar awaiting call for duty only 'in case of need'. Rather, through a combination of events and influences, it has emerged from that dreary state of neglect into a better appreciated, active force of protection that is full of life and meaning, providing effective coverage against loss of assets and income, owned and managed."

And why shouldn't banks be interested?

They have an insurable interest in properties owned, in trust and in mortgages aggregating more than \$16,000,000,000 in value. And that real estate—to be insured against fire, windstorm, etc.—represents but one phase

of the insurance coverages which command banks' attention. In addition there are owners' and landlords' liability, business interruption, etc.

As Eberle and Ervin state in one of their articles:

"Persistent pioneering by insurance companies provides adequate protection against every new phase of hazard that rears its ugly head."

Hazards are many and varied, yet insurance today is geared to protect the bank from loss through coverage broadly designed at rates commensurate with the risks involved.

As to old, well known hazards, insurance companies constantly endeavor to furnish better, broader coverages so that the coverage will fit the risk.

"The logical answer to efficiency in a bank's handling of insurance lies in the centralized control of insurance in one department," say the authors. "This makes it easier not only to see to it that all hazards that may create loss are covered, but also, with a competent agent's help, to purchase coverage economically and adequately."

**SUGGESTIONS** for banks are contained in article 1 (Oct. 1939) of the Eberle-Ervin series under the title, "Simplified Insurance Control," which says that exact knowledge is important and when buying insurance a bank must know what is protected and what is excluded, with one eye always on hazard, the other on protection.

Number 2 deals with insurance problems that face bankers who manage real estate owned, foreclosed or held in a fiduciary capacity. References are made also to the interest of bankers in their borrowers' insurance programs. Fire, liability and other casualty forms are listed in groups and classified as indispensable, advisable and optional.

Number 3 deals with coverages that may be obtained to protect against loss through types of material damage caused by various hazards. Aspects of co-insurance are also considered and examples given. Fire, windstorm, leakage and explosion insurance are discussed.

Number 4 is headed, "Legal Liability Insurance", in which the authors resume a discussion of phases of fire and casualty insurance of interest to banks. It deals briefly with the broad subject of legal liability and with insurance forms that protect banks from loss on this account.

Numbers 5 and 6, briefly discussing the broad protection against direct financial loss available in bankers' blanket bonds, are aptly titled, "Packaged Insurance for Banks" and "Ten Loopholes for Forgery". It discusses various hazards and notes special points and exclusions of recently revised forms. Reference also is made to the importance of following loss prevention and detection methods promulgated by progressive surety

companies and recommended by the American Bankers Association Protective Department.

In Number 7, Eberle and Ervin discuss the banker's interest in insurance carried by commercial borrowers, and the question is asked, "Can the banker freely exercise the right to test the adequacy of insurance carried by borrowers?" Current bank sentiment on this important administrative question is discussed and the material contribution of BANKING to thought on the subject is summed up by means of the new survey that breaks down bank viewpoint on borrowers' insurance.

A careful reading and review of the insurance series just completed will aid any bank in checking the hazards to which it is exposed. Examination of existing insurance policies, with the cooperation of the bank's insurance agent or broker, will determine the efficiency of existing coverage.

The work of the American Bankers Association Insurance and Protective Committee is toward the end of greater insurance efficiency, to simplify yet provide complete insurance at lowest cost commensurate with sound financial protection. In addition to this service the insurance course at The Graduate School of Banking also is designed to give a better understanding of insurance and what it will do for the policyholder.

Authors' acknowledgment in the Eberle-Ervin series is made to Kenneth C. Bell, second vice-president, Chase National Bank, and Claude D. Minor, director of education, Royal-Liverpool Groups of insurance companies—both of whom read and made suggestions for the manuscripts for the series. Helpful suggestions also were made by the Aetna Fire Insurance Company; Aetna Life and Affiliated Companies; Hartford Fire Insurance Company; Hartford Accident and Indemnity Company; National Fire Insurance Company; The Phoenix Insurance Company; Travelers Insurance Companies; V. F. Wilcox, Jr. (R. C. Knox Insurance Agency, Hartford, Conn.); Richard T. Wood and A. P. Apgar, American Surety Company; Kenneth H. Dunshee, The Home Insurance Company; M. Craig, Globe Indemnity Company.

ment, a new representative or manager coming in to take charge of a chain store or business controlled by out-of-town capital, and so on. These are clipped and filed. Usually the clipping contains a picture of the individual referred to in the newspaper article. Thus the file becomes an important central point for research or current information.

The bank also clips and keeps a list of all bankruptcies filed in the county, and a memo or clipping of any important real estate transactions, record of trustees, etc.

Not everything is kept because the bank has an abstract department, but

if any individual or company is a borrowing customer any news item on that man or company is carefully filed away.

Skipping through this data file one finds clippings about home purchases, air lines planning new offices, a film franchise acquired, final liquidation of a bank, a new theater planned, business properties bought, leases, floating of bond issues by corporations, dissolution of firms and partnerships, new stores opened, new business enterprises, character reports, new buildings for business, injunctions, deeds, strikes, labor troubles, etc.



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## An Information File

EVERY day the credit department of The Union Planters National Bank and Trust Company in Memphis, Tenn., searches the daily newspapers for items regarding the development or expansion of any business, changes in manage-

# A Problem in Bank Planning

AARON G. ALEXANDER

*The author is an architect who has been directly connected with The National City Bank of New York for the past ten years. During this time he has designed and equipped 20-odd branches and has under his architectural supervision a total of 72 branches in the metropolitan area. He uses the method of answering specific questions, but the information has general application to banks with similar problems.*

ELEVEN YEARS AGO Alfred Hopkins wrote a book entitled *The Fundamentals of Good Bank Building*. The intervening years have seen so many changes in bank services and merchandising methods that the question of floor layouts and efficient use of available space has acquired a new and fundamental importance. For example—

*Problem:* Can a complete bank be installed on a floor area 25 feet wide by 115 feet deep?

*Suggested Solution:* Assuming there is no safe deposit department, the answer is "yes". The bank floor should lay out something like the accompanying sketch.

Assume for descriptive purposes the bank faces North.

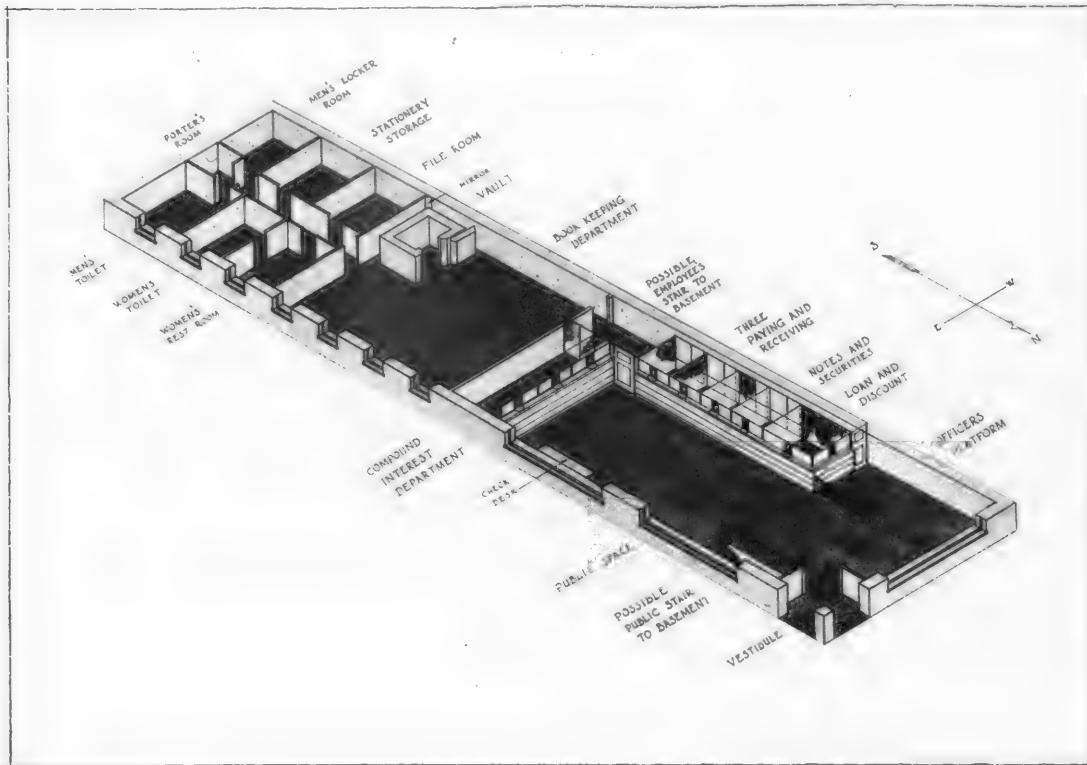
The entrance door should be located at the northeast corner, giving access to public space along the east wall,

with platform and counterscreen along the west wall. The platform should be located to the west of the entrance, with a 20'-depth for three desks and an opening at the south end to the rear of the counterscreen. The platform is here separated from public space by a rail of suitable material 3 feet high. Heavy construction should be avoided, since it eats up inches which are vital in a building of this width.

Next to the platform to the south and along the west wall should be the counterscreen with the following cages: loan and discount, 8 feet wide; notes and securities and three paying and receiving tellers, each cage 5 feet wide; compound interest department (at rear facing north at end of public space), 8 feet deep to allow for posting machines and tub. On the face of the counterscreen between the last paying and receiving cage and C.I.D. cage there should be a 3-foot door for an employees' entrance.

This layout places the loan and discount cage at the front where the smallest lines will form, preventing interference with the paying and receiving cages. The C.I.D. cage, located at the rear facing the public space, and the door placed between the C.I.D. and the paying

(CONTINUED ON PAGE 68)



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## A Problem in Bank Planning

(CONTINUED FROM PAGE 66)

and receiving cages allow space for the longest lines to form, which is necessary during the few days that the C.I.D. cage is busiest—payroll days. With this layout we have used up 59' of depth as follows: platform, 20'; loan and discount, 8'; notes and securities, 5'; three paying and receiving cages, 15'; door, 3'; C.I.D., 8'.

At the rear of the C.I.D. a wall can be erected setting off the rear space for bookkeeping, etc., with an area of 1,400 square feet. A bank with the facilities enumerated above should require approximately 500 square feet of bookkeeping space, leaving a balance of 900 square feet to install a vault, proper toilet facilities, stationery, file rooms, etc.

If no safe deposit department is required, a large safe might be used, with proper premises protection, instead of a built-in vault, which is not only expensive but, if constructed properly, takes up more floor space than a safe. If a vault is required it should be so constructed that a sight space can be maintained on all sides, and with mirrors so placed that a watchman can look around the vault from one point.

As to the width of the main banking room, a passage of 2 feet 6 inches should be allowed along the west wall at the rear of the cages extending from the bookkeeping department to the platform. The cages should be 6 feet deep. Allowing 6 inches for counterscreen construction there is left a public space 16 feet wide, which is ample. Check desks, in this case approximately 18 inches wide, should be located along the east wall. The counterscreen in this case might be of modern 5½-foot-high construction instead of 7 feet so as to give a feeling of height to the room. A 7-foot counterscreen in this width room has a tendency to arrest the vision and, therefore, makes the public space appear to be the entire size of the room.

Recently a problem similar to this was brought to our attention. It had the further complication that the vault was located halfway back from the front. It is unfortunate that such a condition exists as, naturally, it breaks the continuity of the bank functions and does not leave much room for expansion.

As a general conclusion, it is always wise to locate the vault in a corner or at the rear in such a way as to allow for expansion. In the accompanying plan the dividing wall between the work space and bank can be removed and another 25 feet added to the public space, assuming that the work space can be relocated in some second floor area. If this happens, a circular stair can readily be installed so as to connect the second floor work space with the bank proper. The writer cannot emphasize too strongly that, when considering plans, always view with the thought of expansion. There are constant changes in the banking business that demand additional space.

### Banker Ball Teams

A BANKERS' and brokers' baseball league in Louisville, Ky., composed of six teams, has caused the personnel of five banks and one brokerage office to become better acquainted with each other and has helped the morale of employees considerably.

These teams play once a week at night under artificial light (three games a night) and they usually have a good attendance. The teams pay an amount which includes cost of the balls, umpires, scores and lights, the banks contributing their pro rata share.



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## MARINE TRUST COMPANY OF BUFFALO

*A Marine Midland Bank*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## Consumer Credit

(CONTINUED FROM PAGE 57)

charge, lien, encumbrance or other security upon any property of any such person created or arising before the soldier became a soldier within the meaning of this Act until the expiration of two years after his discharge.

This language is rather broad and covers almost everything we could construe as a debt and the usual liens and mortgages accepted in the course of business in our consumer credit departments. Equipment loans and automobile loans demand our particular attention, because apparently, under this type of legislation, not only are we prohibited from suing on the debt, but we are also denied the right of repossessing the collateral which secured the debt.

In the case of an automobile financed over a period of 18 months, if the borrower were called into service after only a few payments were made, the outlook would not be very bright, for this particular act says that *no person can enforce a mortgage or lien until two years after discharge*. Our collateral would be rather old by that time.

OF COURSE, we are discussing the legislation of another country; maybe we won't have a moratorium for service men in this country. Maybe by some stroke of good fortune this troubled old world will find a way out of her present difficulties, and maybe the wars will cease.

However, with conscription of man power a condition and not a theory, the time to think about what a moratorium for service men would mean to our consumer credit departments is now. We can't do much about the paper that is already a part of our portfolios, but we can keep the possibility of this legislation in mind in connection with all new commitments that we make.

Extending credit to the great mass of people who now use our departments, and holding ourselves ready to serve the great number who are potential borrowers is a great responsibility. It involves more than just creating volume to insure greater profit, which has been the motive in far too many quarters.

A carefully considered policy that takes into consideration all the factors all the time is the only way a bank can insure smooth sailing for its consumer credit department and do a good job for the community it serves, as well as for itself.



• You'll be excited too, Al, when you realize all the things this new Remington Rand Printing Calculator will do. Stop and think: every division and multiplication problem in our office—yes, and probably in yours too—is the direct result of some previous addition or subtraction work. What a marvelous thing it is that now we can do the whole job on one complete machine at each desk!

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• If your figure-work is like Frank's and Al's, you'll profit tremendously by using the Printing Calculator, with its ability not only to calculate but also to list, add and subtract. Already this amazing invention has simplified the office figuring habits of thousands of businesses. See it demonstrated in your own office, on your own work. Phone your nearest Remington Rand office today, or write to Remington Rand Inc., Buffalo, N. Y. In Canada, address Remington Rand Ltd., Toronto.

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**WE** like it because it's an all-purpose machine at little more than adding machine cost.

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**WE** use it for all original work, eliminating the "re-run for proof" time formerly needed.

# Bond Portfolios in Transition

## New Conditions Require Changes of Policy

E. SHERMAN ADAMS

MR. ADAMS, an eastern banker, writes regularly for *BANKING* on investment subjects.

**T**ODAY the average banker is faced with investment problems of a very different character from those which have beset him during the past decade. The size of his bond account and the amount of his surplus funds available for investment have increased to a phenomenal extent. The composition of his security holdings has altered radically. Good bonds have attained record high prices and their outlook is obscure. Let us analyze these developments and see what they should mean to the bank portfolio manager.

The average bank must now rely upon securities for more than one-third of gross earnings. Income from loans has been reduced about 60 per cent from 1929-30 levels. Net operating results over the next decade will depend very largely upon the investment policies that are followed.

With bond yields steadily declining, pressure to maintain earnings has forced the banker to buy more and more securities. The revolutionary change that has taken place in American banking is not fully appreciated, however, unless surplus cash is taken into account as well as the amount of securities held. Cash available for investment forms an integral part of the investment problem from the standpoint of the individual banker. The increasing importance of this problem is indicated by the following summary of the resources of member banks:

	1930	1935	1940
Cash and due to banks.....	16%	25%	36%
Investments.....	22	40	36
Total cash and investments.....	38	65	72
Loans and other assets.....	62	34	28
Total resources.....	100%	100%	100%

**W**HEN we discuss investment policy, therefore, we are referring to the disposition of well over half of the total resources of the average bank. Loans may expand to some extent in the future but there is little prospect of a really substantial increase. The decline in loans reflects basic trends in our economic set-up. The average level of industrial production was approximately the same for the first six months of 1940 as for the year 1928. Yet the volume of loans of member banks is more than 40 per cent lower today than 12 years ago.

Cash and investments may further increase. Two factors are largely responsible for the rise in the cash reserves of member banks during the past decade: open-

market purchases of securities by the Federal Reserve in 1932-33 and the tremendous increase in our stock of gold since that time. It seems highly improbable that the Federal will sell its holdings. Imports of gold may continue to boost excess reserves and it is difficult to foresee conditions that would cause any great outflow of gold from this country. In view of the vast Federal expenditures required for national defense, bank holdings of United States Government obligations are likely to increase, perhaps very appreciably.

In view of these considerations, it seems essential that the banker should give careful consideration to the formulation of a definite investment policy for his institution. In a matter so vital, he cannot afford to proceed in haphazard fashion. He should have a basic plan, preferably in writing, which gives reasonable assurance that satisfactory results will be achieved. Otherwise, he is always in danger of operating on a basis of impulse or short-term expediency.

**H**E should also plan to devote as much attention to his investment problem as its importance warrants. This does not mean simply subscribing to some advisory service or even collecting figures on car-loadings and corporation earnings. Ten years ago the average bank portfolio contained a large proportion of rails, foreign securities, holding company debentures, industrials, investment trust issues and real estate bonds. But, as shown by the following breakdown of member bank investments, the composition of bank portfolios has changed decidedly:

	1930	1935	1940
U. S. Government obligations.....	41%	68%	71%
State and municipal obligations.....	12	12	15
Other securities.....	47	20	14
Total investments.....	100%	100%	100%

Net investment results achieved by the average banker since 1929 have depended largely upon the timing of sales of securities subject to credit risks. One section after another of his list has deteriorated greatly in quality.

His attention has been focused largely upon factors affecting second and third grade bonds. He has been following trends in various industries and trying to analyze the prospects of individual corporations. He has subscribed to statistical and advisory services which might help him in this connection. He has been most concerned with liquidating undesirable holdings as best he could.

This will not be the case during the 1940's. Railroad bonds, for example, now comprise less than 5 per cent of

total bank investments. Many bankers have liquidated all of their rails. Others are still engaged in the process and are firmly resolved henceforth to stick to top grade issues.

The character of the banker's investment problem has been entirely changed by this steadily increasing concentration in money rate bonds. Most municipal securities can be regarded as money bonds. Today even the second and third grade issues are quoted at such high prices that they would be vulnerable to a rise in interest rates. Incidentally, this makes it highly important that the banker who invests in municipals should exercise careful discrimination and should plan to follow his commitments closely. Bankers who buy municipal issues indiscriminately at current levels may be storing up serious future trouble. In general, however, the vital problem today for the average banker is the management of surplus cash and a portfolio consisting almost entirely of bonds that are subject chiefly to money rate risks.

The significance of this situation has not been forced upon the banker's attention because prices for money rate bonds have been advancing without serious interruption for more than eight years. Errors of policy have thus been obscured. During a bull market almost any investment program appears to yield satisfactory results.

But the future may be a different story. The market cannot climb indefinitely. There are many who believe that the war in Europe will prove to be a definite upturn in the long time trend of interest rates. The Economic Policy Commission of the American Bankers Association warned a year ago that this appeared to be the case. Since that time prices for high-grade bonds have been remarkably strong in view of chaotic world conditions. Nevertheless, they have failed to rise above the levels reached during the first half of 1939, despite the sensational increase that has taken place in excess reserves. Developments of the past year may have brought us nearer to factors which could cause a rise in interest rates.

It is customary to discuss the level of bond prices as being determined by the supply of money and the demand for credit. Instead, it may be preferable to think in terms of the supply of bonds and the demand for bonds. Two important reasons for the rising trend in Government bond prices have been the diminishing supply of other types of securities suitable for institutional investors and the increasing demand for

bonds on the part of banks to replace declining income from loans. This demand might slacken decidedly if there should be even a moderate expansion of loans. Moreover, if the outlook for business improves, many other investors who have been buying high-grade bonds in recent years might shift to second grades and common stocks. The supply of high-grade issues, meanwhile, may continue to increase.

The banker's investment plan should therefore recognize the possibility that interest rates may rise, and also the impossibility of knowing how much or when. To be sure, he can obtain opin-

ions as to the probable course of money rates from various sources. But his investment policy should not depend too much upon anyone's guess regarding market movements, especially when the future is so inscrutable. He cannot afford to be too heavily invested in long term issues, no matter how bullish he may feel. On the other hand, even if he should become convinced that the trend of interest rates has definitely changed, it might be very unprofitable for him in the long run to liquidate securities extensively. A loss of income is usually just as serious as a loss of principal.

(CONTINUED ON NEXT PAGE)

*Facts about*

# FIREMAN'S FUND INSURANCE COMPANY



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The best protection against the danger of rising interest rates is provided by maintaining an ample cash position and by adhering to a program of staggered maturities for at least a substantial portion of total investments. A well planned fund of rotating maturities should provide adequate liquidity and market stability and also a reasonable rate of return over a period of years. It enables a banker largely to disregard current market fluctuations.

Even after adopting the idea of spaced maturities, important questions remain unanswered. What portion of available funds should be kept in cash and short maturities? What portion in

medium maturities? What portion, if any, should be in long term issues?

As a practical matter, the minimum amount to be invested will usually depend upon the bank's earnings requirements. As one step in appraising the suitability of any proposed investment plan, the banker should attempt to estimate the future income position of his institution as accurately as possible.

In deciding upon the maximum amount to be invested in medium and long term securities, one fundamental consideration is that the market risk in the portfolio should not exceed the amount of protection afforded by capital accounts. The banker should per-

iodically estimate the potential depreciation in his account by assuming some given change in interest rates. This can be done very simply by computing the average maturity of his holdings and consulting a bond yield table.

If possible, the banker should plan to hold no medium or long term bonds that he cannot confidently expect to hold to maturity if he desires. Another way of expressing the same thought is to say that he should have sufficient cash and short maturities to meet any likely demands for funds.

The total volume of deposits will probably continue to rise during the years ahead. Deposits have expanded rapidly since 1933 because of the inflow of gold and deficit financing by the Federal Government. Both of these factors seem likely to cause a further increase in deposits.

WHAT would happen to deposits in the event of a prolonged slump in business activity?

During 1930-33, currency hoarding and bank runs were responsible for a much greater decline in deposits than simply the amount of funds actually withdrawn by depositors. Bankers fearing withdrawals liquidated assets.

This destroyed deposits. It also aggravated the drop in security prices, threatened the solvency of more banks, increased panic withdrawals and brought on more liquidation of assets. If Federal insurance of deposits has eliminated the danger of hoarding and bank runs, it has removed the impelling cause behind this spiral of deflation. Moreover, under the new examination procedure, banks would be under less pressure to liquidate securities in a depressed market to prevent impairment of capital. In fact, a severe depression would probably cause more public borrowing to finance relief. This would naturally increase deposits.

Existing conditions lend special emphasis to the arguments in favor of a program of rotating maturities. Yields on short and medium term obligations are admittedly low but if deposits are likely to be considerably less volatile than in the past, the average banker has ample cash that he can afford to invest.

We may be entering upon a period which will give a very convincing demonstration of the advantages of spaced maturities as a basis for investment policy. In order to obtain the maximum benefits of such a program, however, the banker must plan to appraise his bank's position at regular intervals.

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BANKERS AND CREDIT MEN AGREE

# It pays to protect INVISIBLE

## Values

WHEN fire or another peril wrecks property, it also destroys values that thrive inside a physical structure. These *invisible values* can be insured under various coverages provided by THE HOME through its agents and brokers.

If you manage property or make loans, you will find Rent Insurance and Use & Occupancy Insurance valuable coverages needed to protect *invisible values*. Ask THE HOME agent or your own broker for further particulars.



FIRE EXPELS TENANTS—Who pays for lapsed rentals? Rent Insurance is needed to reimburse for this unexpected loss. HOME agents and brokers readily provide it.



PROTECTION PLUS—"We preserved rental income in spite of the fire," says this banker to his board of directors, "by carrying Rent Insurance with THE HOME."



EARINGS STOPPED—Use & Occupancy Insurance is a safeguard against loss of earnings interrupted by fire or other mishaps. A good coverage for your borrowers.



BORROWERS are better protected when their earnings are insured. Use & Occupancy Insurance strengthens your loan by continuing the borrower's income after mishap.

**THE HOME INSURANCE COMPANY  
NEW YORK**

FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

# Loans for Better Living

JAY KEEGAN

*Mr. KEEGAN is Assistant Federal Housing Administrator.*

**I**N a prosperous, well diversified "typical American city" of 27,000 population and five banks the number of Title I modernization loans reported to date to the Federal Housing Administration is four, all made by one institution. Seven miles away in a town of 9,000—with the same type of industries and population—two banks have reported a total of 250 Title I loans! In the same vicinity is another city of 26,000 where one bank has reported a total of three loans. Just down the road is a little town of 5,000 population where one bank has reported 165 loans!

Why these contrasts of repair loan business between nearby cities of almost identical composition?

It is for banks in cities such as the foregoing, which have reported three or four Title I loans, that this is written. At the date of this writing the total volume of modernization loans insured by FHA is in the neighborhood of \$1,100,000,000, representing about 3 million separate transactions. Although insured modernization credit is now widely available and the plan is achieving its purpose in stimulating worthwhile work and in providing a very satisfactory investment for financing institutions, FHA would welcome a still wider distribution of bank outlets for this credit—not because of increased volume, but for the greater convenience to the public and for the benefits this would bring to additional banks.

**T**HAT is how *we* feel about it. Of far more importance, however, is how *you*—the banks in three- and four-loan towns—regard this matter. After all, it seems probable that most banks want every safe and profitable investment they can lay hands on. It may be, too, that modernization credit is being brought into their communities from outside sources. The field is open to all, and the benefits are being derived by those organizations which are alert to take advantage of these opportunities.

For the life of me, I cannot figure out why the average bank should refrain from participating in the Title I program. Consumer credit is the big thing today and has been developing for years.



This FHA car card, printed in three bright colors for national display in trains, cars and buses, keeps modernization in the eye of the travelling public

The very largest banks in the country have gone into it, and with them thousands of small, medium and fairly large banks are actively operating in the field. It looks as though banks which do not at least try it out are shutting themselves off from their future.

Many banks have been greatly surprised to learn what specialized personal loan organizations have known all along—that the great majority of moderate income people honor and will efficiently pay off obligations so undertaken. As a matter of fact, the credit experience has been so good that banks find it safer to deal directly with the purchaser (usually, of course, in cooperation with the dealer) than to mix in the risks of the dealer's business fortunes.

Just six years ago the Title I program came along and gave this budding consumer credit business a tremendous impetus. Banks which already were in the field naturally jumped at the chance to enlarge their activities on such favorable terms. Hundreds of other banks which were not making such loans were introduced to the business by the "modernization credit plan." Credit experience with these obligations also has been remarkably favorable. In addition, the insurance fully protects them when they have a reasonable volume of business. Moreover, the profit was attractive under interest rates then prevailing and still in effect. And some of the banks which feared that these loans

would be strange to them and would require onerous systems and procedures were agreeably surprised by the simplicity and the ease with which their staffs fell into the routine, once they got started.

All this is from the standpoint of the bank. But what about the purchaser? Well, I believe a lot of them figure this way: "If the modernization loan established my credit with a local bank which can serve me in many other ways, I'm building for the future. Later on I may want to obtain a mortgage for building a new home, or I might want a loan to tide me over in my business, or until my crops can be sold. I wish my local bank would see fit to make me that modernization loan."

**A** FIRST move for any bank is to establish a working relationship with the local dealers and contractors who create modernization business. They are the bank's most effective salesmen, for their own bread and butter depends upon how much of this business they can develop. While the local independent dealer is probably the most vitally interested in adequate financing facilities, some of the chains are glad to develop local sources of credit in addition to their national connections.

Many banks have found that a good working relationship with their dealers and contractors has been all that was necessary. It is far better, however, to supplement this with some additional

(CONTINUED ON PAGE 78)

# THE HOURS PROBLEM

A Collection of Seven  
Timely Magazine Articles  
Written by Bankers

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Detroit, Michigan

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28-page booklet  
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to bank executives

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**DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST**

## Loans for Better Living

(CONTINUED FROM PAGE 76)

efforts. One is to circularize depositors and other customers and inform them about the modernization credit plan and why it is good business to keep their properties in good repair. It is advisable, also, to run some newspaper advertisements on the subject, and, if space is available, to put some displays in the bank. Use the radio, circularize employees of local industries, get local newspapers to run a little publicity on modernizing. Many institutions have found it profitable actually to *sell* the idea of modernization—as well as financing.

**I**N all of these activities FHA can be of help to you. We always have available various mats that can be adapted to banks' newspaper advertisements, suggested scripts for radio, posters and placards for displays, and booklets to give to the public.

It happens that during the latter part of August a special nation-wide drive for modernization business was launched by manufacturers, dealers, contractors,

financial institutions, movie theaters, radio stations, newspapers and others. This program is patterned after several previous national efforts of the same type which proved highly successful.

Most of the material for this national campaign is designed for the use of dealers and contractors. A window streamer with two vertical side pieces and a large poster—printed in attractive colors—enable the dealer to make effective window displays. These display pieces tell the public to "Ask for details of the FHA Pay-by-the-month Plan." In addition, dealers, contractors and lending institutions are supplied with a colored folder, "How to Modernize Inside and Outside", which describes the benefits of property modernization and its financing on the convenient FHA plan.

A "Dealer Guide" is also supplied by FHA, giving practical suggestions to dealers as to how they can tie in to the national campaign and produce modernization business in their communities. A point of emphasis in this manual is: "Establish a financing arrangement with a local bank."

Besides the foregoing, special newspaper ads and radio scripts are available

to dealers, contractors and lending institutions. New technicolor films on the subject of modernization will soon be available for release throughout the country.

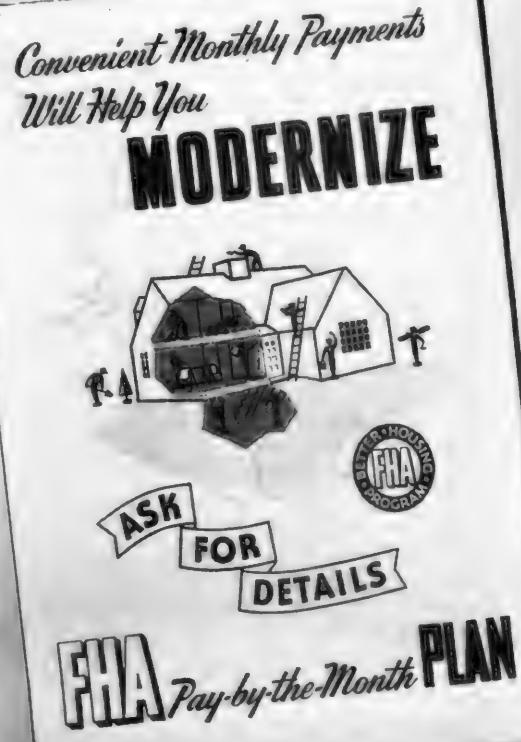
While the material just described is primarily for the use of dealers and contractors, the booklet is available to banks, and when suitable window display space is available they can obtain a set of the display pieces. A special poster featuring the FHA plan is available to financial institutions for their exclusive use.

**F**ULL information concerning all the advertising and selling helps offered by FHA to financial institutions and dealers may be obtained from the state and other field offices of the Administration or from FHA headquarters in Washington.

The Fall modernization season is one of the most active of the year, and in view of the intensive effort which will be put forth by manufacturers and dealers during the next few months this is an especially propitious time for financial institutions to make profitable use of the opportunities offered by the Title I program.

Display card for financial institutions (12" x 16"). Printed in royal blue, red and bright yellow, it is available only to institutions qualified to make Title I loans

This large poster is designed for dealer display. Measuring 28 $\frac{1}{4}$  by 38 $\frac{1}{4}$  inches, it is part of a larger exhibit which dealers can use in their windows





*"Here are the inside reasons*

## **WHY OUR HOUSES HAVE CRANE PLUMBING"**

**O**F COURSE I know that Crane plumbing products are better designed . . . more convenient! I have them in my own home. But here is the real reason I insist on Crane plumbing in houses on which we make loans:

"First of all, Crane plumbing is known for high quality to 83.3% of people who can name a plumbing brand—as proved by independent, unbiased surveys. This overwhelming preference means that Crane plumbing makes a house more salable, keeps the resale value high. Second, Crane's standards of quality and workmanship assure perfect functioning and enduring beauty through the years—a big item

in reducing maintenance and replacement costs.

"And third, Crane plumbing products, with all their beauty—all their greater convenience—are available at surprisingly low cost, for every type and size of home, in every price range. We're conservative enough to think that those are excellent reasons for installing Crane-Equipment!"

\* \* \*

To assure greater salability—to forestall obsolescence—and to reduce operating cost—it's sound business to Crane-Equip your houses. Visit a Crane Display Room—see for yourself why Crane stands first in preference with people who know value!



# CRANE

CRANE CO., GENERAL OFFICES  
836 S. MICHIGAN AVE., CHICAGO

VALVES • FITTINGS • PIPE  
PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES, WHOLESALERS, PLUMBING AND HEATING CONTRACTORS

# New Sources of Bank Revenue

ONE of the most important, if one of the least apparent, developments of the last five years has been the new attention paid to investments. Before the World War the investment portfolio was of little importance, since commercial loans accounted for 75 per cent of all earning assets. As a result of changes that have taken place in numerous sectors of the national economy—changes which include the adoption of new methods of raising working capital by industry, an epochal shift in the financ-

ing distribution from the middleman to the consumer, and the creation of a large government debt—as a result of such changes as these, the demand for commercial credit has undergone a serious decline at the very time when the supply of monetary reserves has been attaining unprecedentedly high levels. This not only has put the banks in funds, but, because of the extremely low rates for money, it has necessitated an active program of investment.

Today the banks' commercial loans

are not so much a prime source of income as a source of liquidity, comprising what is referred to as the "secondary reserve". The chief source of income today—except in those banks which function in localities where comparatively high loan rates are still in force—is the investment portfolio.

Banks have come to realize of late that this is probably a permanent situation, and have devoted much time to educational programs devised to equip them for the task of intelligent investment management. The small banker no longer is content to take someone else's word about securities. He is assiduously applying himself, under the tutelage of his state bank association, the A.B.A., and other educational agencies, to the task of learning how to test the goodness of bonds much as he used to check up on applications for loans before conditions changed. He has absorbed, above all, the five essential principles of bond investment, namely: (1) that investments should be selected primarily with a view to the protection of the principal; (2) that maturities should be as short as possible consistent with a reasonable rate of return; (3) that maturities should be spaced as regularly as possible; (4) that bonds should be selected which are least likely to be adversely affected by deterioration of the business situation, and (5) that risks should be minimized through diversification.

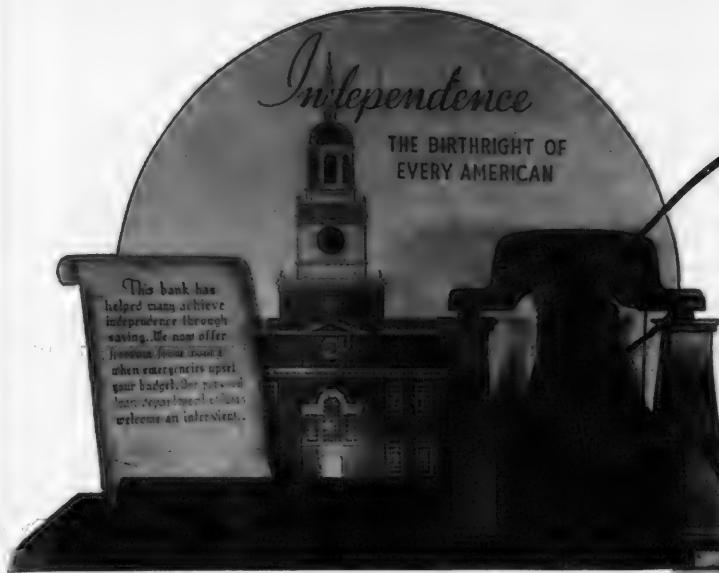
ASIDE from the new emphasis that they are placing on their investment portfolios the commercial banks, in their search for new sources of earnings, have paid increasing attention to the possibilities in four previously almost un-tilled fields. These are: (1) the service charge for handling checking accounts, (2) consumer credit, (3) Government-guaranteed mortgages, and (4) intermediate term loans.

As William B. Munro pointed out in *BANKING* for January the depositor and the borrower have changed rôles in recent years. Back in the 'twenties, the depositor was the white-haired boy. He was paid interest, not only on time deposits but on his checking balances, and his patronage was cultivated at much expense. Today deposits, for good or ill, are a drug on the market. What the banks need today more than anything is not more deposits, but borrowers. But, even when loans can be obtained in volume, interest rates are so low that the

(CONTINUED ON PAGE 82)

CONTINENTAL  
ILLINOIS  
NATIONAL BANK  
AND  
TRUST COMPANY  
OF  
CHICAGO

Member Federal Deposit Insurance Corporation



*"So far superior... we are using them in all of our offices"*

S.G.H. NYC.

*(From an unsolicited letter in our files)*

## Gardner Bank Displays

American bankers are discovering that the same merchandising principles which have built great industries are equally effective in "selling" bank services. Department stores know through experience that window and intra-store displays crystallize the impetus created through all other forms of advertising. So it is with banks. Banks have "money to rent or services to sell"—which present the same sales problems as corsets, cars or crockery. Bankers in fourteen states are finding that Gardner animated, three-dimensional, self-illuminated displays are the best form of contact selling. They command attention at the exact spot where your prospects may immediately act upon the created impulse . . . AT YOUR BANK. Gardner displays offer an inexpensive solution to your merchandising problem. These displays are leased to banks at only a fraction of actual cost. We welcome the privilege of sending you complete information about this effective service. Write us at 477 Melwood Street, Pittsburgh . . . or stop at Booth 28 at the A.B.A. Convention.

Every Gardner Bank Display moves. In the display above, the replica of Liberty Bell swings back and forth, selling independence from worry through bank loans. Above right, the display gains the attention of the home "purchasing agent" . . . the housewife, suggesting a bank loan for kitchen modernization. A huge bisected heart opens and closes. The display, lower right, features an animated carpenter building a beautiful home, which is being financed through an installment mortgage. These and hundreds of other equally attractive displays can become "silent salesmen" for your bank.



GARDNER BANK DISPLAYS  
VISIT US - ABA CONVENTION - BOOTH 28 -  
HADDON HALL - ATLANTIC CITY.

*Homes equipped with  
non-rust metals*

## MAKE BETTER MORTGAGE RISKS



*I*N copper, brass and bronze, mortgagors find a recognizable basis for sounder security in their mortgage risks. For these Anaconda Metals, by eliminating rust and rust-repairs, help preserve the original value of the home.

Moreover, such products as copper and brass pipe, copper sheet metal work, Everdur Metal hot water tanks and bronze screening cost so little more than temporary rustable materials that... in terms of service rendered per year, per dollar... they are far more economical.

39274



### THE AMERICAN BRASS COMPANY

General Offices, Waterbury, Connecticut

Subsidiary of Anaconda Copper Mining Company

In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.

*Anaconda Copper & Brass*

income from this source is not sufficient to pay the cost of servicing the banks' checking accounts. Hence the present movement in the direction of making the depositor pay his own way.

Service charges assume a wide variety of forms. One practice is to make a flat charge where minimum balances are not maintained, but it has been found more satisfactory, from the standpoint of public relations, to have the charges bear a direct relation to the services rendered. This discovery has resulted in the rapid spread of the so-called "taxi" checking account, in which no minimum balance is required but a small charge is assessed for each transaction.

So rapidly has the idea spread that recent estimates place the number of institutions with "taxi" accounts at around 800. Most of the outright converts to the idea have been among the small and medium sized banks, since the profitability of the system naturally varies more or less in inverse ratio to the size of the average deposit. Nevertheless, even among the big New York City banks, variants of the idea have been adopted. These have taken the form of "special deposit" or "remittance" checks, which provide the customer with a more economical, as well as a more impressive, instrument with which to pay his bills than the money order.

FROM the standpoint of the banker perhaps the most important contribution of the service charge, aside from the additional revenue that it provides, is the stimulus that it has given to the study of bank costs. For example, one banker set out to find out how many free checks he could permit a depositor maintaining an average balance of \$100. He found that the cost per check was 4 cents. At this rate he decided that he could afford to allow such a depositor four checks a month. Why? Because four checks a month (with F.D.I.C. costs added) were found to represent \$2 a year, or 2 per cent interest on the deposit.

Other reasons why many of those who have adopted the "no-minimum-deposit" account say they are enthusiastic about its results are that: (1) it attracts small accounts which would not otherwise be started; (2) it provides a "feeder" for the personal loan, safe deposit and other departments; (3) it obviates misunderstandings, and (4) it enhances good will. One banker recently expressed the view that a major reason why the outstanding volume of currency is 50 per cent higher than it was even in the boom year of 1929 is that people are disinclined to carry non-interest-paying bank balances. He believes that much of this excess currency can be eliminated by the encouragement of the small deposit account.

The expansion of commercial bank activity in the field of consumer credit is exemplified by the financing of purchases of automobiles, agricultural machinery and other durable consumers' goods, on the one hand, and the granting of so-called personal loans, on the other. Rolf Nugent of the Russell Sage Foundation has estimated that receivables held by retail merchants and consumer credit agencies aggregated more than \$8,000,000,000 at the end of 1937. The commercial banks have not captured a very large proportion of this total business, but at the end of 1939 they had consumer loans of all kinds outstanding amounting to between \$850,000,000 and \$900,000,000.

As with the service charge, the growth of the personal loan business is expanding at an accelerating rate, which makes it difficult to predict how important an element it may be in the picture a decade hence.

(CONTINUED ON PAGE 84)

# A Frank Statement about "Mutual" Insurance

**A** LARGE part of the increase in our premium writings during the last ten years has undoubtedly come as a result of the desire of insurance buyers to save money. Almost everyone understands that mutual insurance costs less. But the emphasis which has quite naturally been placed on savings has resulted in under-emphasis of two equally important factors: security and service.

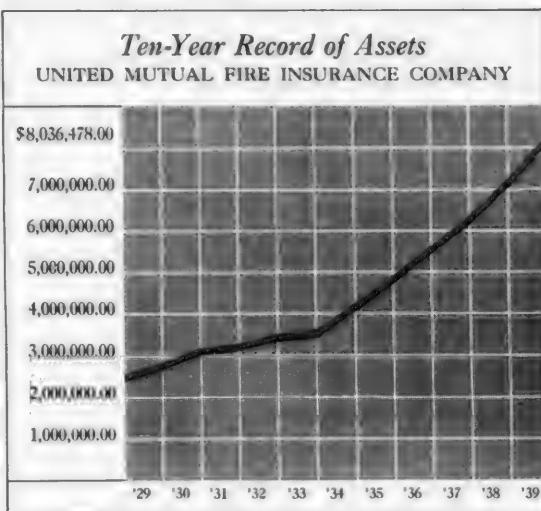
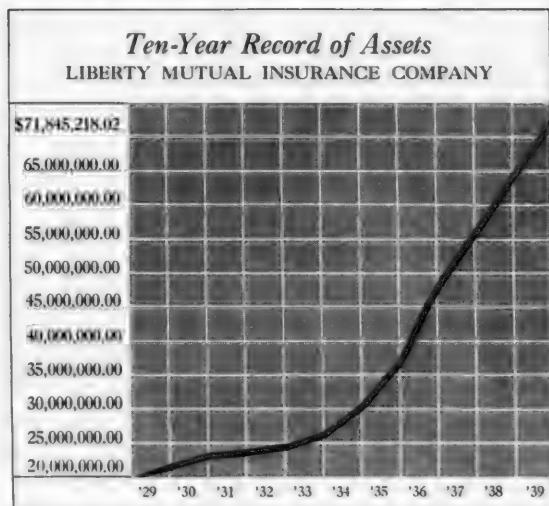
**SECURITY**—Liberty Mutual and United Mutual have always lived within their incomes, in good times and bad; have recorded steady increases in assets and surplus; have set aside fully adequate reserves for all liabilities; and have followed a conservative policy in the handling and investment of funds. Annual reports, gladly sent on request to responsible insurance buyers, will give further proof of the security of Liberty Mutual and United Mutual protection.

**SERVICE**—Liberty Mutual and United Mutual were organized by and for insurance buyers. Among our Directors are officers of a number of the most successful businesses and largest insurance buyers in the country. Under this management, our service has been designed for speed, efficiency, economy—and the most thorough satisfaction of all our policyholders' needs.

To maintain this high standard, we serve our policyholders through full-time salaried representatives who staff our 85 local offices in principal cities from coast to coast. Aside from the economy of this plan, it has many other advantages: For example, we can and do control our selling policies in the interests of the insurance buyer, recommending proper coverages in clear, easy-to-understand contracts. We can and do control our underwriting policies, refusing to protect undesirable risks. We can and do train our men uniformly in our service ideals. And our own claims representatives are available whenever and wherever required to settle losses promptly and fairly without third-party delays and misunderstandings.

In recent years a growing number of banks have come to appreciate the value of this security and service—both for themselves and their customers.

We should be glad to give you facts and figures about our complete insurance service in terms of *your* needs, including an estimate of the savings you may enjoy. Just write Liberty-United, 175 Berkeley Street, Boston.



**LIBERTY** MUTUAL  
INSURANCE COMPANY

**UNITED** MUTUAL  
FIRE INSURANCE COMPANY

Home Office: 175 Berkeley Street, Boston. Offices in principal cities from coast to coast.

## NEW SOURCES OF BANK REVENUE—Continued

The commercial banks would undoubtedly have resumed real estate financing in any event, once the depression in the residential building industry had come to an end, but the establishment of the Federal Housing Administration has given them a much broader and sounder field of operation in this area. Their activities have taken four general forms: (1) creating mortgages

to hold in their own portfolios; (2) creating mortgages to be sold to other institutions but to be serviced by themselves; (3) purchasing mortgage loans for investment, and (4) advancing credit in the form of so-called home modernization loans. The first three operations come under Title II of the F.H.A. law, the last under Title I.

The total amount of mortgages ac-

cepted for guarantee by the Federal Housing Administration under Title II between 1935 and 1939 was \$2,535,000,000, while there were \$562,000,000 in modernization loans outstanding at the end of 1938. Commercial banks have handled about half this business.

As a result of the widened discount facilities provided for member banks since 1935, coupled with the frequent advocacy of this type of business by high government banking officials, many banks have entered the field of "term loans" in recent years. These loans are loans made to industry for periods ranging up to ten years to aid in the retirement and refinancing of outstanding obligations or to furnish new capital. With yields on short-term investment fallen away almost to the vanishing point, the incentive to undertake these longer loans is naturally strong, for the usual rate of interest is anywhere from 3 to 4 per cent. Like so many of the other types of business that the banks are now engaged in, term loans call usually for regular amortization of principal. Indeed, this provision is perhaps the chief justification for commercial banks thus entering what is clearly the capital loan field.

How important is the term loan as a factor in bank earnings today? The Board of Governors of the Federal Reserve System made a study of the subject a few months ago, and here are its major findings:

1. Of approximately \$3,900,000,000 in commercial, industrial and agricultural loans outstanding at the 400 reporting member banks on April 19, 1939, about \$1,000,000,000, or 25 per cent, had maturities of one year or more. In addition, about \$170,000,000 in loans secured by real estate were made by these banks to commercial and business enterprises for periods of upwards of a year.

2. New York banks made about half the total dollar amount of such loans, but less than 5 per cent of the total number. Of the 400 banks, 66 reported no term loans and 77 reported five or fewer.

3. About 23,000 of the total of 25,000 such loans were originally made for amounts of less than \$100,000; 1,700 were for \$100,000 to \$1,000,000, and 300 were for \$1,000,000 or more.

4. Approximately 90 per cent of all these loans were on an instalment basis.

5. About 25 per cent had original maturities of three years or more. On the whole the larger loans tended to have longer maturities.

EDWARD H. COLLINS

BANKING

# METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann.

## Illustrated Statement

**A**GAIN SOMETHING NEW in graphic statements! The First Trust & Deposit Company (Syracuse New York) issues an attractive 8-page booklet combining a "story on service" with its latest condensed statement of condition. Page 1 editorializes on "Experience" and pages 2 and 3 illustrate facilities available, with light interesting pictorial graphs; brief copy explains each service and mentions statistics. The center spread contains the statement. Offside is a series of pie-charts showing the percentage of each asset in relation to the total figure. Director and staff lists appear on pages 7 and 8. The last page gives a break-down of services under the headings—commercial banking—personal banking.

## Necessary Evil

COMES FALL, and with the renewal of local group activities every conceivable type of program and other complimentary advertising will be presented again to banks. A passive attitude toward this type of advertising is costly. It may not be a "necessary evil", if a fair set of regulations is established. Take the example set by the Twin City Clearing House Association at Neenah, Wisconsin. There it has been agreed that no donations or space will be made by any member bank without the majority vote of the group. An appointed chairman reviews all proposals received between meetings of the group and the disposition of each item is determined by vote—invariably thumbs down. Solicitors take this solid front with good heart. More friends are made than lost.

## Loans and War Draft

THE GROWING possibility of conscription in the United States sends a tremor of misgiving through many newly organized personal loan departments. "What to do in case . . ." is the question passed from bank to bank. In the little house-organ, "Between Ourselves", published by the Industrial Morris Plan Bank of Detroit, President

★

*"The friendship I have conceived will not be impaired by absence; but it may be no unpleasing circumstance to brighten the chain by a renewal of the covenant."*

—GEORGE WASHINGTON

★

THOSE of Bank of America who will attend the American Bankers Association Convention at Atlantic City look forward with anticipation and pleasure to a renewal of the many fine friendships which were formed at previous conventions.

Whenever there arises any occasion when your friends in the Bank of America can be of any assistance to you or your bank in the West, we hope you will call upon us.

**Bank of America**  
NATIONAL TRUST AND SAVINGS ASSOCIATION

Member Federal Deposit Insurance Corporation  
Member Federal Reserve System

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA  
SAN FRANCISCO LOS ANGELES

Lewis cites his institution's experience during 1917 and 1918. Almost without exception borrowers called at the bank and made known their intentions of either fulfilling their obligations on the spot or after they had been released from service.

Although thousands of loans were affected by the draft, the bank succeeded in keeping its department in the black.

Mr. Lewis points out, however, that ample reserves from current monthly operations should be set-up as a "cushion" at all times. A consistent reserve policy makes for safer and more uniform operation.

**THE  
PUBLIC  
NATIONAL  
BANK  
AND  
TRUST COMPANY  
OF NEW YORK**

**Service** — Maintaining an intimate, personalized correspondent bank service.

**Experience** — Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

**Policy** — To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.

Resources over  \$170,000,000

ESTABLISHED 1908

MEMBER  
NEW YORK CLEARING HOUSE ASSOCIATION  
FEDERAL DEPOSIT INSURANCE CORPORATION

### Rate Reduction

A NEW SPLIT RATE dividend schedule has been declared by the Lincoln-Alliance Bank & Trust Company (Rochester, New York). Reduced rates apply only to amounts on deposit in excess of \$1,000; as follows:

\$1 to \$100	— no interest
\$100 to \$1,000	— 1½ per cent
\$1,000 to \$7,500	— 1 per cent
\$7,500 to \$25,000	— no interest — (present rate is 1 per cent.)

In explaining the reduction, President Raymond N. Ball points out that the new schedule by no means sets a precedent for the state; some 66 other commercial institutions have effected similar changes in recent months. The change is laid to the bank's decision to follow a conservative investment policy, to maintain adequate cash on hand, and to shy away from more attractive yields in the long-term corporate and industrial bond field.

### FHA Coupons

THE CITIZENS COMMERCIAL & SAVINGS BANK, Flint, Michigan, finds that its new FHA coupon system speeds transactions and eliminates window congestion during rush periods. Each borrower receives a book of 12 coupons

— one for each month and each bearing the following information: due date; amount of payment; break-down of that amount for mortgage insurance, taxes, hazard insurance, interest and principal; and finally balance of principal.

Each entry is copied directly from the individual FHA amortization schedule, excepting tax and hazard insurance which fluctuates each year. Coupons are originally prepared in duplicate, the bank retaining a copy in a monthly tickler file.

When coupons are presented with payment, the clerk pulls the tickler copy and completes the transaction in 15 seconds flat.

### Auto-Suggestion

"GET THE other fellow talking about his problems" is one sound axiom of successful selling. Banks have found that toy automobiles placed at teller's windows, writing tables, and loan officers' desks prompt discussions of car loans and frequently lead to a closed deal.

And it's true also with home financing. The Security-First National Bank of Los Angeles has traced good business to the models of FHA approved homes displayed in the bank lobby.

### LOCAL HISTORY

In connection with the recent Tercentenary Celebration of Greenwich, Conn., the Putnam Trust Company of that town ran a series of historical advertisements in the local newspapers, illustrating each with reproductions of etchings of early Greenwich by Louis H. Ruyl.

Twenty-seven of the original drawings are on permanent exhibition in the bank's lobby



### Master Policy

THROUGH THE good offices of their state association, New York bankers are now prepared to compete on equal terms with car financing rates offered by commercial companies. By special arrangement, a new master insurance policy has been created for the banks covering fire, theft and collision hazards at a cost about 25 per cent below manual rates. The new policy is an automatic binder instrument giving immediate protection on all loans. Under the old plan banks were not protected until the borrower presented his insurance papers to the bank. The policy also permits the borrower to pay his loan at any time and receive extended insurance by having the bank endorse the policy. Or, if he chooses, the policy may be cancelled and a rebate made on the unused balance. Simplicity of operation as well as attractive rates is cited as the chief advantages of the new plan.

### Soap Box

THE CLASSIC NATIONAL soapbox derby was run at Detroit last month. The fanfare that surrounds these aspiring youngsters each year helps keep America young. Back of every entry is a human interest story well worth recording. Of special interest to this column is the report that semi-final winner Mickey Gage of Manchester, New Hampshire, was feted by the home town Merchants National Bank. Mickey was congratulated in an advertisement sponsored by the bank and his championship "racer" displayed with due laurels in the bank lobby. There's an idea to mark on the calendar for the next "darby".

### Bar Association Display

FORT WORTH bankers contribute a suggestion that can be adopted advantageously in every state. When the Texas Bar Association held its annual meeting in that city recently, enterprising bankers assembled a panel of bank advertising materials stressing bank-bar cooperation and set it on display at the entrance of the convention hall. Much favorable comment was heard from attorneys who admitted they were not conscious of the extent of bank effort to turn business their way.

### \$1,000 Club

THE SERIAL FEDERAL SAVINGS AND LOAN ASSOCIATION (New York City) features dividend bonuses in its popular \$1,000 club. Under Plan A, extending for  $7\frac{1}{2}$  years with monthly deposits of \$5, \$10, \$15, \$25, \$50 or \$75, an extra  $\frac{1}{2}$  of 1 per cent is calculated semi-

CHARACTER and reputation, tradition and precedent, strength and experience — these are intangible but forceful reasons for the maintenance of bank relationships.

Yet even these will lose their appeal to hard business judgment unless supported by a record of efficient service consistently maintained.

We have been providing complete facilities for every correspondent bank need for more than 136 years.

... THE ...

## PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$43,000,000

Member of Federal Deposit Insurance Corporation

annually and the total is credited when the savings goal is reached. Under Plan B, extending 14 years on a similar deposit schedule, the interest bonus is a full 1 per cent. The bonuses are in addition to regular 2½ per cent regular semi-annual dividend credits.

The purpose of extending the clubs 7½ and 14 years is to multiply the initial deposit 100 or 200 times under both plans respectively. Club privileges include passbook loans at any time up to 90 per cent of the balances without disturbing bonus credits, and full life insurance protection on any plan. Members are given identification badges

featuring the club emblem and wallet-size membership certificates.

#### Directory

THE LATEST loan directory folder issued by the Cleveland Trust Company employs three novel attention-getting devices. The cover dramatizes the theme "Bank Credit at Your Fingertips" with a die-cut hand pointing to loan service captions behind a cellophane die-cut window. The service captions provide a cut-back index which actually gives finger-tip information. The three-dimensional effect of the cover adds still another "stopper."

#### Travel Bureau

IN CONJUNCTION with its Vacation Thrift Club, the Franklin Society for Home Building and Savings (New York City) operates a downtown travel bureau under the direction of Thos. Cook & Son. This ideal tie-up featured in a separate section of the bank lobby offers a most complete transportation ticket service, as well as a comprehensive assortment of literature from every section of the globe. All Thrift Club literature bears a credit line for the travel agency. Result: one service helps promote the other.

#### Check Exhibit

ROUTE SCHEDULES for a second national tour of banks is now in preparation for the Colonial Trust Company's (New York City) famous collection of checks. The exhibit includes 73 specimens dating back as far as 1745 and in it are checks bearing the signatures of early American business, professional, military and scientific leaders. The publicity attending each bank showing on the original tour is said to have attracted record crowds, from school children to local business men.

#### Pride

THE MANUFACTURERS NATIONAL BANK (Troy, New York) practices sound advertising psychology in a recent full-page newspaper advertisement designed to attract new business to the city. Realizing that before getting new business itself, the bank must first bring more business to the city, the ad listed the 30 business buildings that were currently undergoing renovation or new construction. To point up copy with graphic illustrations, photos of 17 construction jobs were shown.

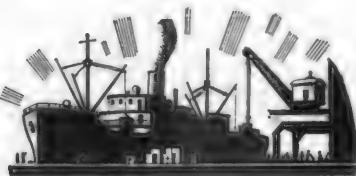
#### Historic

THE BOSTON FIVE CENTS SAVINGS BANK turned its Summer newspaper campaign to an historic institutional series. Ads reproduce old lithographs of famous Boston landmarks still preserved in memory, if not in fact. Blocked-in copy especially invites readers to visit the bank on School Street, focal points of numerous historic sites mentioned in the complete series.

This setup suggests an ideal Summer campaign. It appeals to local pride and boosts the home town.

#### Publicity

THE UNION BANK & TRUST COMPANY, Montgomery, Alabama, received national publicity recently for its 6 x 2 foot check presented to the American



## ENABLING OUT-OF-TOWN BANKS TO SERVE CUSTOMERS BETTER

A high degree of organization and the wide experience of fifty years enable The Northern Trust Company to offer out-of-town banks many helpful services. These include, among others, the collection of checks, drafts and other bills of exchange, safe-keeping of securities, investment advice, and information regarding trust methods and procedures. A correspondent connection here can be of value to you in achieving that completeness of service which your customers value so highly. Your inquiry is invited.

## THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO  
Member Federal Deposit Insurance Corporation

Red Cross war relief fund by local contributions. A news photo in major dailies throughout the country showed Senator Lester Hill of Alabama presenting the jumbo check to Norman H. Davis, Red Cross chairman.

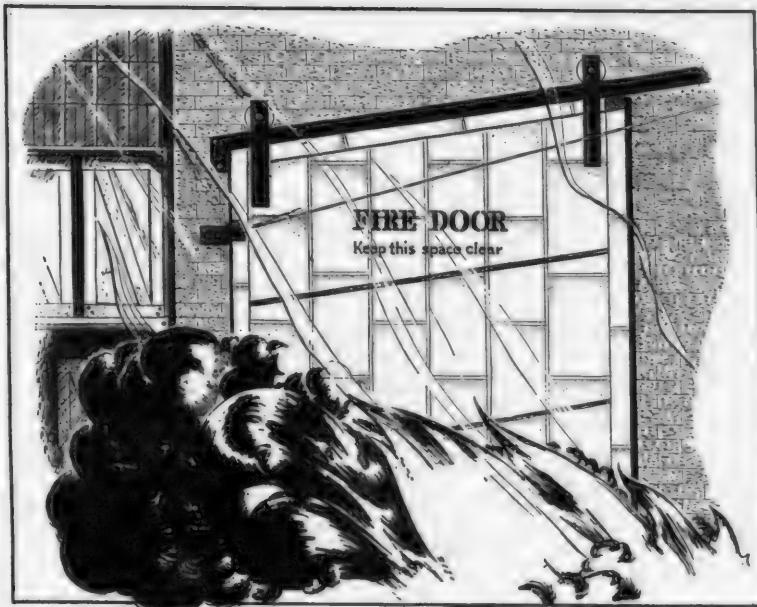
#### Newcomer

BEFORE THE newcomer to New Haven, Connecticut, gets the furniture unpacked, a cordial note from the First National Bank & Trust Company is on the doorstep. Believing that a good first impression is a lasting impression, the bank offers to act as general information source about the city, and incidentally puts its services at the disposal of the newcomer. As an enclosure, the bank issues a small downtown street map showing the location of the bank, post office, library and other public buildings. Good business results, to be sure.

#### Farm Home Improvement

THE OKLAHOMA Bankers Association has well under way an extensive statewide farm home improvement program, said to be the broadest attempted by any banking group. The plan provides for home improvements through consultation with banks, county agents and home demonstration agents of the state.

While loan standards will be strongly upheld, no effort will be spared to help every farmer find economical means of piping water to his home, constructing new drainage systems and other general



## THE DOOR IS SHUT

Just as fire doors keep flames from spreading in a plant, IRM insurance keeps other people's carelessness from reaching policyholders' pocketbooks. For the door is closed to applicants who will not qualify as sound risks.

IRM fire-prevention engineers follow strict standards in making plant inspections—before and after policies are written. Consequently IRM fire losses are kept down and so is the cost to policyholders. Every year since organization, IRM has returned 25% of the premiums paid.

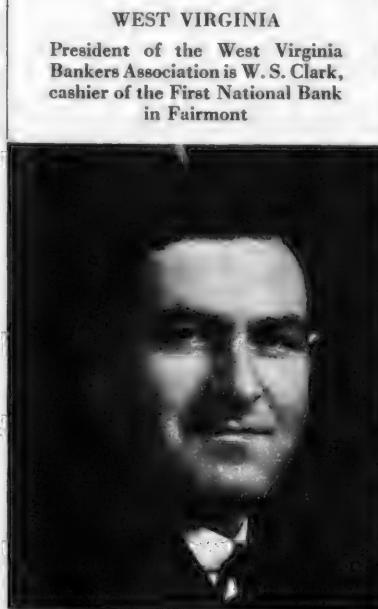
If you want sound indemnity at minimum cost, look into IRM insurance and cash in on your own plant's record for carefulness, or your willingness to meet modern standards in future.

## IMPROVED RISK MUTUALS

60 JOHN STREET, NEW YORK



A nation-wide organization of old established, standard reserve companies writing the following types of insurance: Fire • Sprinkler Leakage • Use and Occupancy • Tornado and Windstorm • Earthquake • Rents • Commissions and Profits • Riot and Civil Commotion • Inland Marine



September 1940

renovation work. The program also calls for regular distribution of authentic livestock and crop information through a central clearing house bureau. As an added stimulant to farmer interest, a home improvement contest among counties is projected.

### Life Stories

A NEW SERIES of inspirational copy pieces devoted to "real life stories" of mutual savings bank depositors is currently being used by a number of savings banks in New York, New England and other states. This copy dramatizes the "mutual" story in pictorial form

and was prepared from actual ledger records obtained from bank files. The series takes the form of an institutional campaign including posters, car-cards, booklets, newspaper mats and other media.

### Home Campaign

THE SAVINGS BANK OF UTICA (New York) currently merchandises a series of homes designed by local architects in a broad newspaper campaign. Each insertion features a drawing and floor plan of a home in the \$4,000-\$5,000 price range with the name of the local designer. Copy covers full information on

financing arrangements and features the monthly carrying cost. Sixteen well-known local architects are cooperating in the program. Many of the homes featured are duplicates of those already constructed in residential areas.

### Trust

THE MONTCLAIR TRUST COMPANY (New Jersey) has devised an effective way to put the question of executorship squarely up to the trust prospect. In a recent newspaper advertisement, the bank posed 10 pertinent questions on procedure. The answer for each, in the event the prospect named an unqualified individual, was simply a question mark. To clinch this dramatic presentation, the advertisement then answered each point precisely, should the bank be named executor. Copy also stressed the fact that fees are fixed by law.

### Home Movie

"AT HOME AROUND SAN FRANCISCO BAY", an 800-foot color movie of suburban homes, is the five-star attraction at San Francisco Bank's Treasure House Exhibit at the Golden Gate Fair. The film was designed for the entertainment of out-of-state visitors interested in California architecture, and also to give local prospective builders a building guide for various price groups.

It is the first film project of its kind presented and sponsored in the banking field. Another feature of the bank exhibit is the display of the prize-winning model home of the Oakland National Homes Show. Visitors also re-

## CENTRAL HANOVER BANK AND TRUST COMPANY NEW YORK



### Statement of Condition at Close of Business June 29, 1940

#### ASSETS

Cash and Due from Banks . . . . .	\$729,766,474.74
U. S. Government Securities . . . . .	371,261,369.44
State and Municipal Securities . . . . .	26,350,677.95
Other Securities . . . . .	24,996,108.61
Stock in Federal Reserve Bank . . . . .	2,430,000.00
Loans and Bills Purchased . . . . .	158,964,711.18
Real Estate Mortgages . . . . .	7,089,953.42
Banking Houses . . . . .	15,218,010.00
Other Real Estate . . . . .	1,652,030.56
Interest Accrued . . . . .	1,887,447.91
Customers' Liability Account of Acceptances . . . . .	3,715,448.44
Total	\$1,343,332,232.25

#### LIABILITIES

Capital . . . . .	\$21,000,000.00
Surplus . . . . .	60,000,000.00
Undivided Profits . . . . .	<u>13,285,329.08</u>
Reserve for Taxes, Interest Accrued, etc. . . . .	94,285,329.08
Dividend Payable July 1, 1940 . . . . .	5,735,815.59
Acceptances . . . . .	1,050,000.00
Deposits . . . . .	3,949,260.30
Total	1,238,311,827.28
	\$1,343,332,232.25

There are pledged to secure public monies and to qualify for fiduciary powers  
U. S. Government Securities . . . . .

\$6,180,331.61

Member Federal Deposit Insurance Corporation

### WYOMING

Guy Sturgeon, executive vice-president of the Bank of Commerce, Sheridan, Wyoming, is the president of the Wyoming Bankers Association



BANKING

ceive an attractive booklet—"A Portfolio of Treasures"—outlining the Treasure House Plan and other instalment saving programs featured at the bank.

#### Trust Booklet

THE CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY (Chicago) makes a worthy contribution to educational material in the trust field with its latest 84-page bound volume "What a Trust Department Does". This booklet catalogues the major duties and responsibilities in the performance of each service of the department, and indicates when these services can be used. Because of particular interest, the investment policy and procedure of the department are described. Auditing safeguards are summarized, and a word is said about the employment of attorneys. The text is completely indexed in a separate chapter for ready reference.

#### Home Front

EMPLOYEES of the Bank of Montreal and the Royal Bank of Canada join the colors under the novel recruiting idea of the Canadian Grenadier Guards. Most of this Second Battalion is formed into companies representing particular professions and industrial concerns. Later, men wishing to proceed on active service with the First Battalion will be moved up as vacancies arise. The newly formed bank employee units vie for military and drill honors with similar units of life insurance employees.

#### Service Charge

THE FIRST NATIONAL BANK in Palm Beach, Florida, institutes a radical departure in service charge regulations by allowing an earning credit of 1 per cent on minimum balances against monthly charges, without deducting float or reserve. Fifty or more depositors interviewed on the new arrangement backed up the bank's belief that this basis is fair and equitable. On Not Sufficient Funds checks, a graduated protest fee is also being charged. The first costs the customer \$1, the second \$2, the third \$4. After the fourth the bank either closes the account automatically by sending a draft for the balance, or requests the customer to call at the bank to close his account. This latter plan is strongly recommended as a practical method of discouraging overdrafts.

#### Memorial

"NUMBER EIGHT", monthly employee journal of the National City Bank and City Bank Farmers Trust Company (New York City), devotes the entire August issue to pictures and stories of the life of the late James H. Perkins, chairman of the board of both institutions. The cover plate carries the Perkins family coat-of-arms on white antique stock. From the files of "Number Eight" and other sources, 47 pages of pictures and newsbits on Mr. Perkins' career have been assembled. Several pages are devoted to excerpts of the many tributes to Mr. Perkins from bankers and industrial leaders all over the world.

#### Income Tax Club

THE PROSPECT for 1941 income taxes looks even more gloomy to our Canadian neighbors. To help ease the strain on individual purse strings, The Bank of Montreal recently announced a new service feature, popularized in the U. S.—the Tax Club. This plan operates on systematic weekly, fortnightly, or monthly deposits, maturing in time for April 1941 tax payments. The individual member chooses whatever schedule suits his income. Club deposits vary with anticipated tax rates.

# Significant?

**A**PPROXIMATELY 70% of the wills probated in any year were made during the preceding 5 years. Therefore the proportion of wills naming banks as executor, in any year, should reflect both the extent and the effectiveness of the banks' advertising and solicitation during the preceding 5 years. Conversely, the amount of business development effort exerted by banks in any 5-year period should help to determine the number of executorships secured through wills probated in the last of those 5 years.

In one of America's largest cities, a study of probated wills and banks' trust advertising and solicitation efforts disclosed these facts:

During 1926-1930, banks spent \$281,557 in trust advertising, used 55 man-years of solicitation; and in 1931 secured 21% of available executorships (34% of dollar volume).

During 1932-1936, banks spent \$92,637 in trust advertising, used 43 man-years of solicitation; and in 1937 secured 14% of available executorships (14% of dollar volume).

Advertising reduced 67%—solicitation reduced 22%—number of executorships reduced 33%—dollar volume reduced 60%.

Factors other than advertising and solicitation may have been involved. But aren't these figures significant?

To increase trust department earnings, increase its new business. To increase its new business . . . we have been helping banks to do that for nearly 30 years. Suggestions based on that experience are yours for the asking, without obligation to you.

## The Purse Company

Headquarters for Trust Advertising

Chattanooga, Tennessee

BOSTON NEW YORK CHICAGO LOS ANGELES

# What's in a Banker's Name?

T. D. MACGREGOR, a New York advertising man whose researches in interesting place names have appeared in BANKING recently, now reports on what he found when he delved into bankers' surnames.

THE study of our heritage of surnames is fascinating. I first realized that recently when I had occasion to make intensive use of the bankers' directory or "Blue Book," containing

thousands of names of bank officers and directors in every state—a representative cross-section of our American family names.

This study resulted not from a philosophical urge but from curiosity. It is evident that a really thorough investigation of this subject would lead one away back to a prehistoric period before there were any literary records save perhaps the crude drawings of the cave-

men. Moreover, it would involve familiarity with the history of many nations and a knowledge of many languages and dialects.

It is apparent to even the casual student, however, that originally there were three chief sources of surnames: (1) Some characteristic of the individual; (2) his occupation; (3) his place of abode.

Then there were collateral sources such as features of the landscape, wearing apparel, specific buildings or parts of buildings, animals, birds, fish, trees, flowers, plants, etc.

In explaining names one must take into consideration also the meaning of obsolete words or forms of words, and the corruption and elision of words and sounds. It must not be forgotten that the same word in one language may mean something entirely different in another. For example, in German the word "hell" means bright and could be applied to heaven, whereas in English, of course, it is used for an entirely different region.

THE volume consulted was a directory of bankers—but it proved to be much more than that as is shown by the following classifications made from the thousands of surnames of living Americans contained in the book.

## OCCUPATIONS

ARCHER, Backer, Baker, Barber, Bishop, Biter, Blatter, Blower, Boss, Bowman, Brewer, Butcher, Butler, Camper, Carpenter, Carper, Carter, Champion, Chancellor, Chandler, Collegeman, Collier, Constable, Cook, Cooper, Corker, Cropper, Dangler, Deputy, Doctor, Draper, Driver, Farmer, Fidler, Fighter, Fisher, Forrester, Fowler, Fuser, Glassman, Glazier, Glover, Goldsmith, Groom, Guyer, Hacker, Harper, Hatter, Hunter, Joiner, Judge, Justice, Lackey, Lawyer, Layer, Leader, Leaper, Mason, Merchant, Miner, Muse, Neighbor, Newcomer, Packer, Painter, Pastor, Pitcher, Piper, Plowman, Plummer, Porter, Potter, Priest, Pruner, Puffer, Purser, Reader, Reasoner, Rester, Rider, Ringer, Roller, Sadler, Sawyer, Seaman, Seller, Sexton, Shaver, Shepherd, Sherriff, Shoemaker, Singer, Sleeper, Smith, Speaker, Spinner, Strayer, Strider, Taylor, Teacher, Thrasher, Tiller, Tinker, Trader, Trainer, Trimmer, Trotter, Turner, Usher, Waggoner, Walker, Walser, Weaver, and Workman.

## Out-of-Town Banks

Out-of-town banks and bankers will find here complete banking facilities for prompt and economical handling of accounts in Chicago. We would appreciate the opportunity of serving you.

**CITY NATIONAL BANK**  
AND TRUST COMPANY of Chicago  
208 SOUTH LASALLE STREET

(Member Federal Deposit Insurance Corporation)



## People Appreciate

*the clean, convenient ease of writing with  
the new flood-proof, finger-protecting*

### tip-in-ink handi-pen

No shaking — no dipping — no clogging — the last word in writing ease and neatness for your customers, and staff . . . Cuts messy refilling — holds up to a year's ink supply. With the new tip-in-ink feature, only the tip touches ink. A narrow slit feeds only enough ink for instant writing . . . HP4-7 (illustrated), \$3.75. Others \$2.50 to \$35.00 . . . including lobby model with chain. Order now from your stationer. Or write for 10-day FREE TRIAL OFFER.

(Tear out and mail coupon today.)

Sengbusch Self-Closing Inkstand Co.  
9B Sengbusch Bldg., Milwaukee, Wis.

Please ship me . . . . . handi-pen sets HP4-7  
for a 10-day free trial, with no obligation to me.

Name . . . . .

Address . . . . .

City . . . . .

State . . . . .

## BANKING AND FINANCE

BANKER, Banks, Cage, Cash, Cashman, Check, Deal, Dolar, Fortune, Gainer, Gaines, Gold, Golden, Goldman, Groat, Guard, Heaps, Hoard, Holder, Holding, Jack, Kale, Keep, Lent, Loan, McMillion, Means, Messenger, Million, Money, Monypeny, Nickel, Okey, Pence, Penny, Penniman, Pile, Pound, Proffitt, Price, Purse, Rich, Richer, Riches, Safe, Sell, Service, Shillings, Silver, Sterling, Teller, Thrift.

## CHARACTERISTICS, QUALITIES

ABLE, Best, Bland, Bleak, Blunt, Blythe, Boney, Boring, Bright, Buttery, Callow, Close, Cold, Craven, Cross, Delicate, Dear, Divine, Doughty, Dull, Eager, Early, Earnest, Fair, Fast, Fine, First, Fleet, Forward, Foggy, Frank, Friendly, Gaunt, Gay, Glad, Golden, Good, Grim, Haggard, Hale, Handy, Hardy, Harsh, High, Humble, Huskey, Jolley, Keen, Keener, Kindley, Large, Lawless, Learned, Light, Likely, Little, Lively, Looney, Loose, Long, Loving, Lower, Luckey, Manley, Meek, Meeker, Mellow, Merry, Moody, New, Nice, Old, Perfect, Petty, Plain, Pleasant, Poor, Pretty, Proper, Proud, Prim, Quick, Rash, Ready, Rising, Rough, Rushing, Safe, Sauer, Savage, Serene, Sharp, Shy, Sincere, Slick, Small, Smart, Softy, Spry, Still, Stout, Strange, Sunny, Sweet, True, Trusty, Valliant, Vital, Weakley, Wild, Wise, Young.

ANGUISH, Bane, Blessing, Blight, Bliss, Breeding, Candor, Comfort, DeLay, Dudgeon, Duty, Faith, Fear, Fury, Fuss, Gall, Grace, Grief, Haste, Hazard, Hope, Joy, Justice, La-Grandeur, Leisure, Longing, Love, Luck, Need, Patience, Payne, Peace, Pride, Proffitt, Reason, Right, Rush, Speed, Strain, Vice, Wile, Will, Wisdom, Work, Worth.

## ANIMALS, BIRDS, FISH

BADGER, Beaver, Buck, Buffalo, Bull, Bullock, Cattle, Chow, Collie, Colt, Coon, Fox, Game, Goat, Gorrilla, Hare, Hart, Hogg, Horsey, Kidd, Lamb, Lion, Rabbitt, Seal, Stagg, Steer, Terrier, Wolf.

BUSTARD, Bird, Birdseye, Birdwhistell, Canary, Chick, Cocke, Crane, Crow, Dove, Drake, Egge, Falcon, Feathers, Geese, Goldfinch, Gosling, Gull, Hawks, Heron, Jay, Kite, Lark, Partridge, Peacock, Quail, Nightingale, Pidgeon, Raven, Starling, Snare, Sparrow, Stork, Swan, Swift, Thrasher, Thrush, Wren.

BASS, Carp, Chubb, Crabb, Dolphin, Fish, Fisher, Gill, Haddock, Herring, Hook, Pickerell, Pike, Roe, Salmon, Sturgeon, Trout, Whiting.

## FLOWERS, FRUITS, TREES

ASTOR, Bloom, Blossom, Bramble, Budd, Bunch, Bush, Flora, Flowers, Garland, Grubs, Hay, Holley, Ivey, Leaf, Lilly, Moss, Nettles, Plant, Poppy, Posey, Rose, Seed, Stem, Straw, Thistle, Thorn, Weed, Wormwood.

APPLE, Berry, Cherry, Currant, Figge, Grape, Huckleberry, Lemon, Pippin.

ASH, Bay, Birch, Beach, Board, Box, Branch, Bush, Deal, Elm, Fir, Hickory, Leef, Maple, Moss, Oakes, Pine, Root, Sapp, Stump, Tree, Wood.

## FOOD, BEVERAGES, CLOTHING

ALLNUTT, Bacon, Beets, Bean, Bone, Brose, Bunn, Butter, Cater, Chestnut, Chow, Colliflower, Corn, Cover, Custard, Dill, Dines, Egge, Flesh, Forke, Fry, Fudge, Gobble, Grubb, Ham, Honey, Husk, Kettle, Kitchen, Lamb, Leek, Munch, Pan, Pancake, Parsely, Patty, Pease, Pepper, Pickel, Plate, Plumb, Potts, Pye, Rice, Rye, Tartt, Wheat, Wurst.

ALE, Barr, Beer, Beers, Bock, Beveridge, Coffee, Drinkwater, Dry, Goodale, Goodwine, Sherry, Still, Redwine, Rye, Tank, Tipple, Treat.

BLOUSE, Boots, Button, Cape, Cloak, Coates, Cotton,



## To the Members of the A.B.A.:

Your trip East presents an excellent opportunity to bring the family to New York. While you're attending the convention, your family can live at the Waldorf — only a few hours by train from Atlantic City.

The Waldorf's About-the-City Bureau will take special interest in your family's happiness. It will arrange shopping tours, sightseeing trips, and try to see that they have an enjoyable stay. The Waldorf is located in the very center of New York's social life . . . and is only a short distance from that greatest of attractions, the New York World's Fair.

The interesting places of the city itself, too, are convenient to the Waldorf. Broadway with its panorama of lights and theaters . . . the inviting shops on Fifth Avenue . . . Rockefeller Center's inspiring architecture . . . all are within walking distance of the Waldorf. In fact, here in the hotel you have the beautiful Starlight Roof to enjoy without stepping out-of-doors!

Here is a rare chance to make the most of this trip East by including the Waldorf in your itinerary. Please consider this our invitation to spend a few days at the Waldorf. Reservations may be addressed to me.

Yours truly,  
FRANK A. READY, Manager

THE  
**WALDORF-ASTORIA**

49th and 50th Streets · New York

Dresser, Felt, Gauntlet, Harness, Hood, Mackintosh, Mitten, Overall, Ring, Rummage, Sack, Silk, Slipper, Spangle, Shorts, Smock, Spurr, Stocking, Tippett, Topper, Tunick, Tweed, Twist, Vest, Wigg.

#### RELATIVES

BROTHERS, Child, Cousins, Daughters, Husbands, Kindred, Kinsman, Niece, Parent, Popp.

#### PHYSIOLOGICAL

ANTRIM, Bean, Beard, Bone, Brane, Brawn, Bust, Coco, Cheek, Chinn, Dome, Finger, Flesh, Gumm, Hair,

Hands, Hart, Head, Hipp, Kidney, Legg, Lightfoot, Lipp, Longnecker, Pate, Shank, Toothacre, and Trueheart.

#### LOCOMOTION

AMBLE, Budge, Chase, Dance, Dapple, Faster, Gallup, Goal, Goforth, Golightly, Goodspeed, Hitch, Hop, Hurdle, Hurry, Jump, Pace, Post, Startup, Steed, Stoops, Strider, Stuck, Train, Teeters, Tremble, Tripp, Waddle, Walker, Walkup, Wait.

#### NATIONS, NATIONALITIES, CITIES

CHINA, Dane, Denmark, Dutch, England, English, Flanders, France,

French, German, Holland, Ireland, Irish, Nation, Netherland, Norman, Norway, Peoples, Poland, Saxon, Scott, Wales, Welch.

BOROUGH, Boston, Berlin, Coventry, Glasgow, London, Newport, Rome, Shire, Town, Urban, York.

#### METEOROLOGY, NATURE, SEASONS

BLIZZARD, Breeze, Christmas, Cloud, Cold, Day, December, Easterday, Fair-weather, Fall, Fine, Flood, Fogg, Foggy, Friday, Frost, Gale, Goodnight, Hale, June, Knight, Lent, Lull, March, May, Morrow, Noel, Noon, Rainey, Rainwater, Shiver, Showers, Spring, Sprinkle, Storm, Summers, Waters, Wind, Winters.

#### DIRECTIONS

NORTH, South, East, West, Northern.

#### COLORS

BLACK, Blue, Brindle, Brown, Gray, Green, Pink, Vermillion, White.

#### TITLES

ABBOTT, Barron, Chancellor, Dean, Duke, Earl, Gentry, Kaiser, King, Lord, Major, Noble, Pastor, Peer, Prince, Rector, Rex, Royal.

#### ECCLESIASTIC

ANGELL, Bible, Bishop, Chappelle, Church, Deacon, Dean, Divine, Elder, Idol, Kirk, Monk, Nunn, Parrish, Parsons, Pastor, Pew, Pontifex, Pope, Prior, Rector, Temple, Vicars.

#### PAIRS

PUNCH and Judy, Wormwood and Gall, Pipe and Segars (also Smoak), Slaughter and Gore (also Blood), Fife and Drum, Warr and Peace, Mann and Maiden, Flagg and Bunting, Word and Bond, Mountain and Lake, Locke and Key, Mickle and Muckle, Wiseman and Sapp, Atlass and Mapp, Aye and Why, Pillow and Couch, Bost and Bragg, Bell and Book, Ace and Diamond (also Card), Mudd and Muck, Hill and Dale, Cannon and Ball, Hook and Crook, Brick and Stone, Meadow and Good-pasture, Wedding and Deth, Cypher and Talley, Near and Farr.

#### Bedside Good Will

THE Union National Bank, Marquette, Michigan, furnishes 12 small radios to two local hospitals and gains bedside good will with a card reading: "This radio is made available to you during your illness with the hope that it will make your stay more pleasant and speed your recovery", followed by the bank credit line. The hospital rotates the radios to different patients every 21 days.

#### BANKING

## The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to  
bankers and their clients in the  
Nation's Capital.

### Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

Resources over \$120,000,000

Member Federal Deposit Insurance Corporation

## FASTER SERVICE

### for collections on Southern points

For the accelerated tempo of business The First National Bank of Memphis now operates regular night transit service. With combined daily mail arrivals and departures of 78 trains and 30 planes, Memphis is a focal point

of southern transportation. Banks everywhere find that night transit handling by The First National Bank of Memphis saves a day or more to many southern points. You are invited to use this service.

### THE FIRST NATIONAL BANK OF MEMPHIS

Memphis, Tennessee

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## National Prospect

(CONTINUED FROM PAGE 17)

will be "bankable". As part of the same effort the Commission is sponsoring a revision of the standard contract so as to get around present legal obstacles to the assignment of any government obligation. With that revision, a contractor who has completed the required work will be able to discount the Government's obligation therefor at his bank.

With these changes, it is held, present RFC loans for plant expansion and direct arsenal construction by the Army and Navy will be supplemented by private credit extended by the banks. In the words of Commissioner Henderson, "there will be less reliance on Government debt and more use of private credit for underwriting plant expansion." A further aim is to obtain the loan of funds for longer periods, thereby tending to reduce not only capital costs, but prices as well.

### Shortage of Managers

COUPLED WITH LACK of skilled labor there is also said to be a shortage of competent managing personnel. Labor leaders say that the main need is more plants and managers, and that skilled workers can be trained faster than plants can be built.

The claim about insufficient managerial personnel is illustrated by the following Defense Council experience. The Council suggested to a manufacturer that, instead of one plant employing 5,000 workers, he decentralize, building five small plants of 1,000 workers each. The suggestion could not be followed because not enough trained plant managers were available.

The assurance of labor groups that there will be no shortage of skilled workers, however, is not shared by members of the National Defense Commission. The latter feel that before many months the craft unions will be unable to supply the demand for skilled mechanics. In Army and Navy plants the age limit has been lifted from 45 to 60 years, and efficiency ratings have been shortened, an example which private industry is following.

In the Defense Council's view, management will have to go back to the pre-depression methods of training apprentices. It will be necessary to train understudies, not only for managerial work, but for production.

Conscription, it is believed in Washington, will not greatly affect the supply of skilled workers, because of the limited age groups expected to be called.

## Ground for Hope

IN A RECENT book entitled *Financial Security in a Changing World*, M. S. Rukeyser, financial syndicate writer, says that in heroic times there is a new emphasis on getting things done and that "demagogic, political buffoonery and playboy economics are readily dispensed with." Perhaps so, but we must be careful not to make wishes father to our thoughts. The evidence pointing toward this consummation so devoutly to be wished for is not very strong as yet, although the force of circumstances seems to push in the same direction. One unknown factor is the election.

## Another Old Friend

NO ONE CAN mention the business outlook, the national prospect, or anything of the sort, without bringing up inflation. All the professional business speech makers and letter-writers feel obliged to treat it in every instalment or issue. It has become a catchword, a label, an indispensable ingredient in the equipment of the economic medicine maker. Frankly, it is being terribly overworked.

This is not an attempt to dismiss lightly a very serious subject. But constant waving of the bloody shirt, as it were, of inflation possibilities is like raising the question of whether a person

# AN Invitation to American Bankers

To American financial men the BANK OF MONTREAL, with 500 branches throughout Canada, offers unsurpassed banking facilities for their Canadian transactions and a valuable source of information on all phases of business life in the Dominion.

American bankers, interested in Canada, are invited to address their enquiries to the Business Development Department at the Head Office in Montreal, or to any of the offices of the Bank in the United States.



## BANK OF MONTREAL

Established 1817

ASSETS OVER \$950,000,000

Head Office: Montreal

NEW YORK AGENCY: 64 Wall Street - - - - - A. J. L. Haskell, G. R. Ball, L. L. Sinclair, Agents  
CHICAGO OFFICE: 27 South La Salle Street - - - - - A. Macpherson, Manager  
SAN FRANCISCO OFFICE: Bank of Montreal (San Francisco), 333 California St., F. G. Woods, President

is going to be killed every time he takes an automobile ride. Of course he is if external circumstances combine with his own recklessness in a certain way. He may be killed even if he is careful; he is much less likely to meet with a fatal accident if he is very careful.

#### FHA Lending Standards

THE FHA EXPECTS 1940 will turn out to be as big a year in housing as 1926, previous peak. Its business has been active and the outlook is that 1941, under the impetus of the defense pro-

gram, will provide good opportunities for investment in mortgages, particularly in certain problem areas. FHA business has been increasing in Pittsburgh, Cleveland, Chicago and other centers.

There has been some debate as to whether to "let down the bars" or run along with present standards. Thus far, it is stated, the latter and safer course has been followed.

### Consolidated Statement of FIRST SECURITY CORPORATION SYSTEM OF BANKS

June 29, 1940

#### RESOURCES

Loans and Discounts.....	\$27,303,235.33
Banking Houses, Furniture and Fixtures.....	1,729,511.88
Investment Bonds and Securities.....	80,891.87
Stock in Federal Reserve Bank.....	144,000.00
Real Estate Owned.....	94,083.43
Other Assets.....	197,817.21
Cash and in Banks.....	\$22,692,619.31
U. S. Gov't Dir. & Guar. Bonds.....	21,429,923.15
U. S. Treas. Dir. & Guar. Bills and Notes.....	2,195,000.00
Municipal and Listed Securities.....	4,381,646.67
Total Resources.....	\$50,699,189.13
	\$80,248,728.85

#### LIABILITIES

Capital:	
Common.....	\$2,360,000.00
Preferred.....	740,000.00
Surplus.....	3,100,000.00
Undivided Profits.....	2,240,000.00
Reserve for Contingencies.....	1,538,284.15
Reserve for Taxes, Interest, Expense, etc.....	1,341,304.57
Reserve for Dividends.....	218,237.87
Other Liabilities.....	9,000.00
Demand Deposits.....	30,444.19
Time Deposits.....	
Total Liabilities.....	71,771,458.07
	\$80,248,728.85

Member of Federal Deposit Insurance Corporation

## YOUR Customers WILL Note THE DIFFERENCE

when THIRD NATIONAL  
helps you to handle their busi-  
ness in Tennessee.

Earned growth every year  
since establishment in 1927 re-  
flects the character of service  
rendered here.

THIRD  
NATIONAL  
BANK  
IN NASHVILLE  
Nashville, Tennessee

Member Federal Reserve System and  
Federal Deposit Insurance Corporation

## A Service for Small Borrowers

To the Editor:

**I**N making personal and modernization loans, we confine ourselves almost entirely to the communities served by our two offices. We are fortunate in this respect as these communities are located in one of the fastest growing sections of small home construction in the country. Incidentally, by so confining ourselves, we have reduced our losses on this type of loan very materially.

We noticed, however, that many of these borrowers did not maintain any other relationship with the bank but that of debtor. We knew, of course, that some were unable to afford regular checking accounts due in most cases, to having recently tied up their normal working funds at least temporarily, in new homes and furnishings.

Partially in order to correct this situation—that is, to encourage our borrowers to maintain accounts with us—about two years ago we installed our Convenient Checking Plan Department. We sell the usual 20-check book for \$2, making no charge for deposits.

**T**HIS department has been a complete success. Now when we interview a potential borrower we give him a short sales talk on the merits of the Convenient Checking Account and if we are able to make the sale we have the applicant sign a signature card right then and there. Non-purchase of a checkbook, however, has no ill effect on the loan application. If the credit investigation is satisfactory, we open the Convenient Checking Account and credit to it the proceeds of the loan less the cost of the checkbook.

The majority of these depositors have never previously had a checking account and the need, once they become home owners, is obvious, as taxes, interest, monthly instalments, etc., are regular payments which must be met and the cancelled check is a far better receipt than the cashier's check or money order previously used. This, together with the low cost, is the major selling point and within two or three months the checkbook is exhausted and a re-sale made. The income is a welcome addition to earnings in this period of declining investment returns.

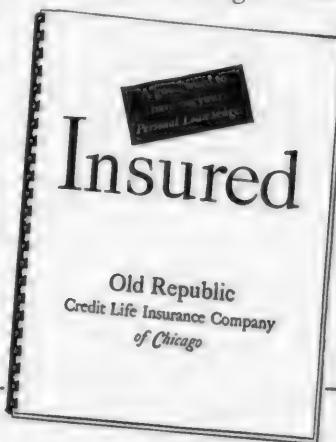
From the standpoint of the bank, aside from the income, this procedure has worked out very well. As loan payments fall due we automatically charge them to the Convenient Checking Account and in very few instances has a

balance on deposit fallen below the amount of an instalment or an account closed during the life of a loan. This feature alone has saved considerable time and money in collection letters and expense, and the account more often than otherwise remains active after the loan has been liquidated. A number of our recently opened regular checking accounts began with us in the Convenient Checking Department.

Converting a borrower into a depositor also has encouraged the use of the bank's other facilities and fostered a better understanding by this group of the services we can perform. We feel that we have not only broadened our scope in the community but have placed ourselves in a preferred position for larger and more profitable business.

—J. E. MOORE, Credit Manager, Fidelity National Bank, Elmhurst, New York.

**O**ld Republic's simple, practical plan of insuring personal loans against the death of borrowers is reducing risk and building profits for hundreds of commercial banks in 32 states from New York to California. The plan costs a bank nothing to install and operate. How it works is clearly explained in the portfolio shown at the right. Bank officers are invited to send for a copy without cost or obligation.



**Old Republic  
Credit Life  
Insurance  
Company**

*The pioneer in  
adapting credit life  
insurance to the needs  
of commercial banks  
with personal loan  
departments.*

309 WEST JACKSON BOULEVARD • CHICAGO, ILLINOIS

# Know Your Money

LOSSES to the public through acceptance of counterfeit notes were reduced by 50.5 per cent in the 1940 fiscal year, ended June 30, as compared with the preceding 12 months, Elmer L. Irey, coordinator of the Treasury law enforcement agencies, reported to Secretary Morgenthau.

This accomplishment by the United States Secret Service reduced losses to \$145,644, as against losses of \$294,057 in fiscal 1939.

Suppression of counterfeiting resulted from an intensive campaign instituted by the Secret Service and made fruitful by the voluntary enrollment of millions of citizens, Mr. Irey said.

Education was the keynote of the new attack, Mr. Irey observed. Acting on the premise that "an ounce of prevention is worth a pound of cure," the campaign, he said, effectively demonstrated the truth of this adage, and proved that the major crime of counterfeiting can be curbed more successfully by the modern system of education than by investigation and prosecution after the crime.

The campaign, having for its slogan, "Know Your Money," demonstrated to storekeepers, cashiers and the public the difference between good money and bad, and illustrated what should be done when confronted with spurious currency or its purveyors. The public, Mr. Irey explained, was eager for this education and grasped quickly the important points the Secret Service strove to make.

As a result, millions of citizens received their first instructions through the "Know Your Money" campaign, which made use of sound motion pictures, circulars, public meetings, radio broadcasts, the daily papers, magazines and trade journals. Active cooperation was extended by the broadcasting companies, and hundreds of broadcasts were made by Secret Service personnel, and chiefs of police, in which simple rules were given to aid in spotting bad money and professional passers.

Exhibits of counterfeit money were placed in banks where tellers were detailed to explain its defects.

This widespread educational program was carried out under the personal direction of Chief Frank J. Wilson, and (CONTINUED ON PAGE 100)

Chief Wilson of the Secret Service



## FIRST NATIONAL BANK IN ST. LOUIS

Broadway • Locust • Olive

Member Federal Deposit  
Insurance Corporation

— in St. Louis

(Reg. U. S. Pat. Off.)

## Specialized Correspondent Service

Based on many years  
experience with the day-  
to-day requirements of  
correspondent banks in  
all parts of the country.

•  
Total Resources Over  
285 Million.

•

## FIRST NATIONAL BANK IN ST. LOUIS

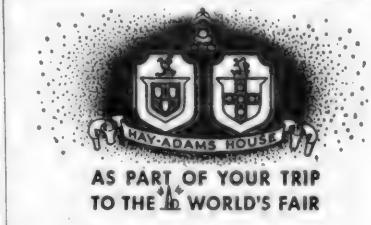
Broadway • Locust • Olive

Member Federal Deposit  
Insurance Corporation



Strategically located in the area stipulated by our Government for the manufacture of defense materials, Nashville offers an abundance of low cost TVA hydro-electric power for all industries and a favorable climate.

A key bank in the Central South welcoming the opportunity to serve all industries dedicated to the building of our national defense—



## SEE WASHINGTON D.C.

★ A splendid opportunity to become acquainted with your government while on your World's Fair holiday. You will enjoy the Hay-Adams' luxurious environment, dignified service and superb cuisine. Write for complimentary booklet of Washington, D. C.

From \$3.50 Single \$5. Double



BANKING

# Via NATIONAL CITY to LATIN AMERICA

THIS year, more than ever, business men are giving new thought to those Americas that lie beyond our border. The wealth of opportunity in South and Central America brings new inquiries to this bank every day.

For more than 26 years National City has been the liaison unit between the business and banking of the Americas. First American national bank to establish an overseas branch—in Buenos Aires in 1914—National City has experienced every conceivable contingency which trade with Latin American countries has encountered.

Our facilities have been developed until today there are 41 National City branches in South America and the Caribbean countries.

National City outposts help to bridge the differences of race and language, and to interpret the banking laws, exchange and customs regulations. They have acquired an unrivaled knowledge of local conditions.

These international "trade embassies" are at the disposal of American banks through Head Office in New York or through Correspondent Banks the country over.

---

*At our Head Office a group  
of National City officials  
is exclusively engaged in  
handling Latin American  
relationships*

---

## THE NATIONAL CITY BANK OF NEW YORK

HEAD OFFICE: 55 WALL STREET

71 BRANCHES IN GREATER NEW YORK

### LATIN AMERICAN BRANCHES

ARGENTINA	CANAL ZONE	CUBA	DOMINICAN REPUBLIC	MEXICO	REPUBLIC OF PANAMA
Buenos Aires (Sub-branches)	Balboa Cristobal	Havana (Sub-branches)	Ciudad Trujillo	Mexico City	Panama
Florés	Cuatro	Cuatro	Barahona		Panama
Plaza Once	Caminos	Caminos	La Vega		Colon
Rosario	Galiano	Galiano	Puerto Plata		
BRAZIL	La Lonja	La Lonja	San Pedro de	PUERTO RICO	
Rio de Janeiro	Caibarien	Caibarien	Macoris	San Juan	URUGUAY
Pernambuco	Cardenas	Cardenas	Santiago de los	Arecibo	Montevideo
Santos (Agy.)	Manzanillo	Manzanillo	Caballeros	Bayamon	
Sao Paulo	Matanzas	Matanzas		Caguas	
	Santiago	Santiago		Mayaguez	
	Bogota			Ponce	
COLOMBIA	Medellin				VENEZUELA
	Barranquilla				Caracas



ESTABLISHED 1812

Member Federal Deposit Insurance Corporation

BRANCHES, AFFILIATES AND CORRESPONDENT BANKS IN EVERY COMMERCIALLY  
IMPORTANT CITY OF THE WORLD

(CONTINUED FROM PAGE 98)

came, incidentally, during the 75th anniversary of the agency.

Secret service arrests totaled 3,281 persons during the year. Of this number 2,222 were in connection with forgeries; 778 related to counterfeiting, and 281 covered a wide miscellany of crimes against the Treasury. In the previous year there were 3,985 persons arrested: 2,598 for forgeries, 1,045 against counterfeiting, and 342 for other crimes.

Of the cases that went to trial during the year, convictions were obtained in

2,897 instances, or 97 per cent, while 893 cases were awaiting trial at the close of the year.

The loss to the public through acceptance of counterfeit coins during the year was \$51,737.42 as compared with \$50,325.42 the year before, while seizures of spurious currency not yet in circulation amounted to \$94,589

#### Self-Quiz

The Morris Plan Bank of Virginia (Richmond) has a novel idea for selling the advantages of debt consolidation

through personal loans. The "Self-Quiz" is an attractive leaflet which contains a work sheet on which the prospect may analyze his current bills, loan balances, instalment contracts, etc. The form provides space for itemized totals and monthly payments.

## Life Insurance Information

WHEN the Stephens National Bank of Fremont, Nebraska, makes a loan on life insurance cash value it asks the company to fill out a blank providing pertinent information.

"We find this information very helpful," writes J. M. Sorensen, executive vice-president of the bank, "especially during our examinations. The examiner need not take our word for anything concerning the policy—it is all on the blank."

The companies are asked to furnish the following data:

Date.

Name and address of insurance company.

Name of assured.

Name of present beneficiary or beneficiaries.

Name of contingent beneficiaries.

Amount of premium.

Method of payment (annually or otherwise).

Date to which premium is paid.

Date next payment is due.

Does the policy contain an automatic premium loan clause, or is there any other provision in the policy for automatic loans to pay premiums?

Is policy in full force and effect?

Amount of cash surrender value as of given date before deducting amount of policy loans or liens.

Amount of other cash reserves.

Amount of outstanding policy loans. Other liens.

Form of assignment given to this bank, if any.

Amount of interest accrued on outstanding policy loans.

Date to which interest is accrued on policy loans.

Your rate of interest on policy loans. Are there any previous assignment of policy or other liens, third party orders or encumbrances which would affect a new assignment being made?

What election, if any, has the insured or beneficiary made by the application or under the policy?

What is the mode of settlement in the event of the death of the insured?

By keeping constantly in touch with all important developments in Michigan business and industry, we are enabled to provide banks and bankers throughout the country with an extremely broad and helpful correspondent service.

★

**NATIONAL BANK OF DETROIT**  
*Complete Banking and Trust Service*  
**DETROIT, MICHIGAN**

*Fulton Correspondent Service*



**FULTON NATIONAL**  
ATLANTA *Bank* GEORGIA

1810



Jonathan George Washington Trumbull, first local agent of the Hartford

1940

## A promise that has been kept

In 1810, one hundred and thirty years ago, the Hartford Fire Insurance Company was organized under a perpetual charter to sell INDEMNITY; i. e., a promise to pay legitimate claims for loss or damage to property.

In December of that same year, Jonathan G. W. Trumbull of Norwich, Conn., a grandson of Connecticut's Revolutionary War Governor, became the first Hartford agent and the first local

agent of any insurance company in the state. A man of integrity himself, he demonstrated his faith in the Hartford by countersigning and selling its policies to his friends and neighbors. Agent Trumbull made no mistake in so doing.

*You* will make no mistake in dealing today with the Hartford agent in your community. For his name, just call Western Union. In Canada, call Canadian National Telegraphs.

# Hartford Fire Insurance Company Hartford Accident and Indemnity Company

HARTFORD



CONNECTICUT



# A Field Warehousing Decision

THE extent of the legal protection afforded by field-warehouse receipts is the subject of a decision by the Circuit Court of Appeals for the Ninth Circuit in the case of *Heffron v. Bank of America National Trust and Savings Association and Lawrence Warehouse Company*, decided June 29, 1940. Believing that the court's ruling on this question will be of considerable interest to loan officers, the facts and the holding of the court are hereafter set out.

A Los Angeles steel company owner, engaged in the sale of unfabricated steel, entered into a warehousing agreement with the Lawrence Warehouse Company. The building in which the merchant conducted his business was used principally for the storage of steel; only a small part was occupied as office. Under the terms of the agreement the warehouse company leased all of the building except the office.

The building was conspicuously

marked, inside and out, with large signs bearing the name of the warehouse company and a statement to the effect that "all commodities in or upon these premises are in the custody of the Lawrence Warehouse Company, Lessee."

The merchant negotiated for loans with the bank and delivered as collateral non-negotiable receipts issued by the warehouse company. The receipts provided that the goods were to be held subject to the written order of the bank. As warehouse receipts were issued, cards showing the name of the pledgee and the amount of steel covered were placed on the various piles of steel included in the receipts. These cards described the steel by number of pieces and their dimensions and referred to the warehouse receipts by number. While there was considerable "free" steel in the bins or shelves, it was the custom to separate the free goods from the pledged goods by a steel band or wire.

THE merchant was adjudged a bankrupt on his voluntary petition and the bank filed its proof of a secured debt. The referee in bankruptcy found that the transfers were constructively fraudulent because there was no delivery of any of the steel either to the warehouse company or the bank and no actual change of possession. He further found that the transactions were otherwise than "in the ordinary course of trade" and not "in the usual practice and method of business" of the bankrupt and therefore notice of the transfers should have been given as required by the California Bulk Sales Law.

The trial court reversed the referee and the Circuit Court of Appeals upheld the trial court. The opinion stated that "warehousing on the premises of the owner proposing to pledge his merchandise is effective when done in obedience to legal requirements. It is immaterial that the purpose of the warehousing is to enable the merchant to finance himself on the security of his goods by the use of warehouse receipts. Such is the primary and legitimate objective of modern field warehousing." The Circuit Court further found that the California Warehouse Receipts Act which was enacted after the Bulk Sales Law "expressly repeals all acts or parts of acts in conflict with it." That is, it repealed the Bulk Sales Law "so far as the latter might otherwise apply to warehoused goods."



## BANCO ITALIANO LIMA

Capital and Reserves S/.23,763,793.78

*Serving*

PERUVIAN FOREIGN TRADE

FOR OVER

FIFTY YEARS



We have branches and agents in every commercial centre of Peru, and our modern collection department has been specially organized to meet the requirements of our foreign clients.

*The Oldest Peruvian Banking Institution*

# A NEW MODEL INTERNATIONAL PROOF MACHINE

*to meet the needs of smaller banks*

Small and medium-sized banks may now enjoy the same modern facilities for handling check department operations as already employed by hundreds of large banking institutions throughout the country . . .

This new Proof Machine performs the same functions of check-sorting, -listing, -proving, and -endorsing as the previous model. The only difference is that it has but *twelve* classification sorting keys, sorting pockets, and classification adding machines instead of the usual twenty-four. All other operating features remain the same.

Your bank . . . regardless of size . . . can profit through the increased efficiency and operating certainty made possible by International Proof Machines. Write or 'phone today for complete details.

*See the Interesting Demonstration*  
of International Proof Machines at the A. B. A. Convention, Sept. 22-26. Also  
see the International Punched Card Accounting Machines, International Time  
Recorders and the Electromatic All-electric Writing Machines.



**INTERNATIONAL BUSINESS MACHINES CORPORATION**

*World Headquarters Building*

590 MADISON AVENUE, NEW YORK, N. Y.



*Branch Offices*

IN PRINCIPAL CITIES OF THE WORLD

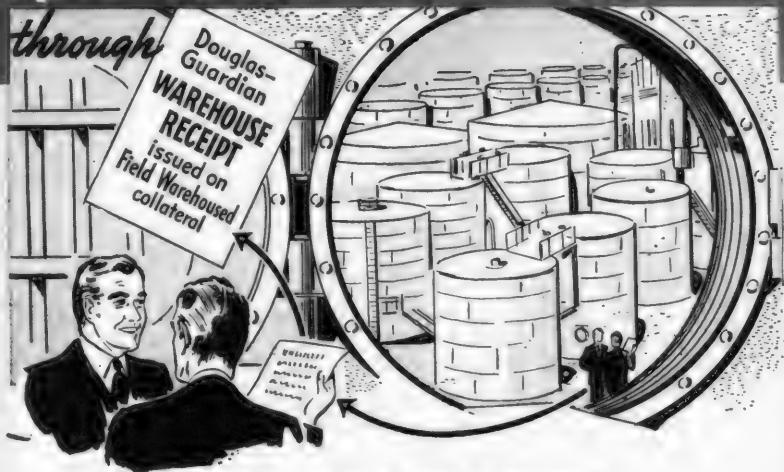
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# Douglas-Guardian Advertising has developed much business for Bankers

## Typical Commodities Field Warehoused

Alcohol      Seeds  
 Cotton      Syrup  
 Coal      Sugar  
 Furniture      Sulphur  
 Lumber      Staves  
 Hides      Stoves  
 Malt      Textiles  
 Molasses      Wool  
 Rice      Wines  
 Clothing      Whiskies  
 Canned goods  
 Cotton products  
 Soy Beans and products  
 Grain & Feeds  
 Petroleum products  
 Steel products  
 Woolen goods  
 Zinc Slabs and many others.



Literally puts the collateral in your vault

## Field Warehousing by Douglas-Guardian



Glad to Mail You This Booklet Free

The above picture was used in a Douglas-Guardian advertisement to the petroleum industry. Douglas-Guardian is sending special advertising messages to a far flung variety of industries. They include producers and distributors of: seeds, grain, lumber, textiles, and many of the other products listed above at the left. Also we direct special messages to credit men, to auditors, to the financial managers of industry.

### OVER 17 YEARS OF EXPERIENCE

Our attention is frequently called to new loan business resulting from Douglas-Guardian's year-round advertising campaign. We suggest that you check over the list of local businesses frequently for loan possibilities that could easily become actualities through Field Warehousing by Douglas-Guardian. The Douglas-Guardian man who resides in or visits your city will be glad to check over this list with your loan department. Using the coupon is a handy way to express interest or ask for our booklet, and no obligation is incurred.

## DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

Nation-Wide Field Warehousing Service. Regional Service Offices at:

New Orleans, La. 118 N. Front St.	Chicago, Ill. Suite 1101	Easton, Md. 428 South St.
Dallas, Texas Tower Petroleum Bldg.	100 W. Monroe St.	Los Angeles, Cal. Garfield Bldg.
Memphis, Tenn. 106 Porter Bldg.	Atlanta, Ga. 340 Hurt Bldg.	San Francisco, Cal. 485 California St.
Cincinnati, Ohio Union Trust Bldg.	Cleveland, Ohio Union Commerce Bldg.	Portland, Ore. 209 U. S. National Bank Bldg.
Rochester, N. Y. Commerce Bldg.	Springfield, Mass. 76 Sunapee St.	Tampa, Fla. 416 Tampa St.
Springfield, Mo. Holland Bldg.	New York, N. Y. 50 Broad St.	

### CALL IN THE DOUGLAS-GUARDIAN MAN

--- DOUGLAS-GUARDIAN WAREHOUSE CORP. ---

Suite 1101 — 100 W. Monroe Street, Chicago, Ill.

Send us your booklet, "Financing the Modern Way."

Tell your "Douglas-Guardian Man" to call when in our neighborhood, with understanding that such call entails no obligation.

Bank's name \_\_\_\_\_

Address \_\_\_\_\_

For attention of \_\_\_\_\_





## EARNING IMPRESSIVE RESULTS ... As Customer Gifts... or In Bank Routines

Pens and pencils are "tremendous trifles" in banking. Banks across America are standardizing on the permanently sharp Sheaffer's Fineline pencils, and *Lifetime* Pens, because their legible writing, crisp carbon copies, and instant action mean faster work, fewer clerical errors, and smoother public relations . . . Banks are standardizing on Sheaffer's in lobbies and at counters, too, because they are America's most popular quality writing tools . . . And so banks also are giving Sheaffer's, particularly the Fineline pencil, bearing the bank's imprint, as advertising tokens—because a writing gift is the appropriate and appreciated gift from a bank; they are choosing Sheaffer's because no bank wishes to be misrepresented by a poor-performing gift... Quantity prices are most attractive. Inquire!

W. A. SHEAFFER PEN CO. • FORT MADISON, IOWA; TORONTO, ONTARIO, CANADA  
All *LIFETIME* pens are unconditionally guaranteed for the life of the owner except against loss and willful damage—when serviced, if complete pen is returned, subject only to insurance, postage, handling charge—35c.

\*Other companies can guarantee their pens for life—some do—but only Sheaffer pens can carry the trade-mark, "*Lifetime*"

Unless it's **SHEAFFER'S** it isn't a *Lifetime*\* - Know the Pen by the White Dot  
Copyright, 1940—W. A. Sheaffer Pen Co.

**CHEMOPURE**  
**Skrip**  
WASHABLE, for School, Home.  
PERMANENT, for Business.

Skrip starts faster, dries quicker. Washable washes right out of fabrics. Permanent lasts while the paper lasts—and is sediment-free, non-clogging. Skrip makes **ALL** pens write better.

Only SKRIP has the SKRIP-WELL—tilt to fill the well—gives your pen exactly the right "drink" no matter whether self-filling or dip type—with-out soiling fingers! Use the last drop!

# ★ ORGANIZATION ★

PRESENT DAY BANKING'S PROGRAM OF ACTION

BARNEGAT LIGHT  
NORTH OF ATLANTIC CITY

66TH ANNUAL CONVENTION  
NEW JERSEY SECTION



# Atlantic City

*The Atlantic City oceanfront—one of the World's most famous skylines*

It is with sincere anticipation that Atlantic City welcomes you again for your 1940 Convention and extends to you, not only the full facilities and background for a successful session, but all the pleasures of the finest month at the shore, with surf bathing from brilliant beaches throughout September — the Boardwalk gay with summer attractions — best fishing of the year — golf and other sports — everything, in fact, to render your stay most pleasant — your desire to return most keen.

## ATLANTIC CITY CLEARING HOUSE ASSOCIATION

## ATLANTIC COUNTY BANKERS' ASSOCIATION

BOARDWALK NATIONAL BANK, ATLANTIC CITY  
EQUITABLE TRUST COMPANY, ATLANTIC CITY  
GUARANTEE BANK & TRUST CO., ATLANTIC CITY  
VENTNOR CITY NATIONAL BANK  
EGG HARBOR CITY TRUST COMPANY  
FIRST NATIONAL BANK OF ABSECON  
FIRST NATIONAL BANK OF MANS LANDING  
FIRST NATIONAL BANK OF MINOTOLA  
MAINLAND NATIONAL BANK OF PLEASANTVILLE  
PEOPLE'S BANK & TRUST COMPANY OF HAMMONTON



*The Convention Hall bulks huge on the Boardwalk*



*Eight fascinating miles of Boardwalk and beach*



CULVER

When the A.B.A. held its first convention, the historic meeting in Saratoga Springs, New York, in 1875, the 1940 convention city looked like this

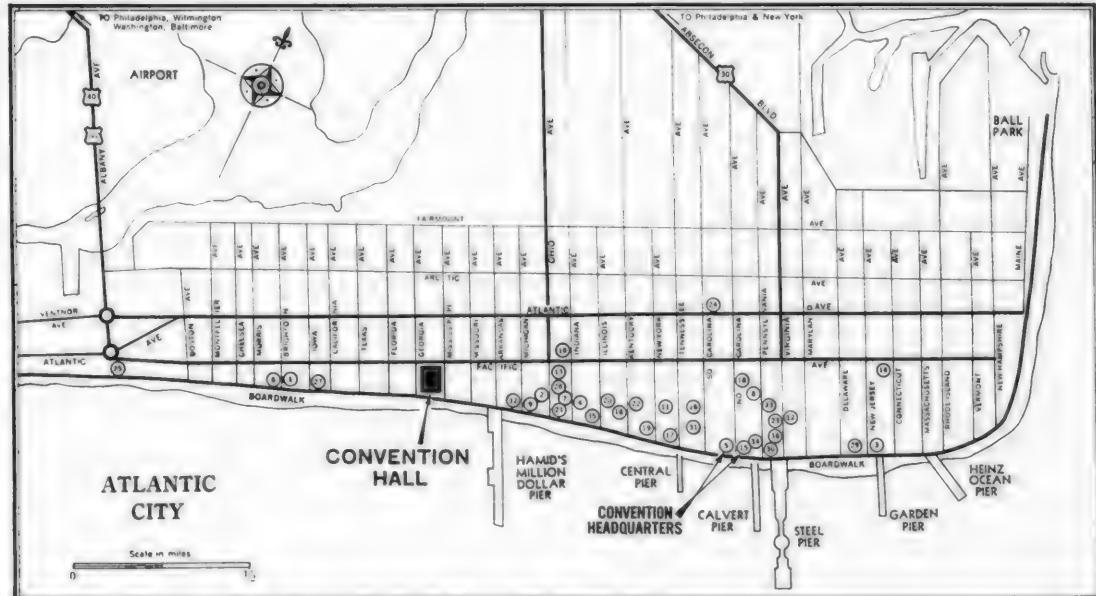
## Atlantic City, September 22-26

READERS will find circled numbers on the map of Atlantic City, *below*, which correspond to the numbers accompanying the hotel names in the following list. In addition, the map shows certain other points of interest to bankers attending the American Bankers Association Convention this month.

Information about the Convention program will be found in "News Paper", beginning on page 128.

1. Ambassador	10. Eastbourne	19. Lexington	28. Runnymede
2. Blenheim	11. Flanders	20. Madison	29. St. Charles
3. Breakers	12. Franklin Inn	21. Marlborough	30. Seaside
4. Brighton	13. Glaslyn Chatham	22. Monticello	31. Senator
5. Chalfonte	14. Grossman	23. Morton	32. Shelburne
6. Chelsea	15. Haddon Hall	24. Penn-Atlantic	33. Stevenson
7. Claridge	16. Jefferson	25. President	34. Strand
8. Colton Manor	17. Knickerbocker	26. Princess	35. Traymore
9. Dennis	18. Lafayette	27. Ritz-Carlton	36. Wiltshire

**BARNEGAT LIGHT**—The famous lighthouse pictured on the cover of this section of *BANKING*, page 107, is a picturesque landmark of the New Jersey shore. Barnegat Inlet was entered on September 2, 1609, by Capt. Sir Henry Hudson in his ship, the *Half Moon*. This adventurous old explorer named the place himself, calling it "Barendegat," or "broken water."



# A Visit to New Jersey

NEW JERSEY, host to this 66th Annual Convention of the American Bankers Association, is small as states go (ranking 45th in area) but it packs into 8,000-odd square miles of land and water an unusual diversity of interests and achievement.

\* \* \*

Its industries, for which many of its more than 4,000,000 people work, are of basic importance to the national economy, especially in these times of preparation for defense.

\* \* \*

Its agricultural resources and its natural beauty have given it the name "Garden State."

\* \* \*

New Jersey's transportation facilities are excellent and well coordinated; railways, highways and waterways keep the output of its great industrial plants flowing into the stream of world commerce.

\* \* \*

The state's educational facilities are famous; so are its recreation spots, notably the seashore resorts.

\* \* \*

Rich in historical association, and particularly in relics of the American Revolution, New Jersey provides bountiful fare for the sight-seer.

\* \* \*

New Jersey ranks sixth in the value of her manufactured products, having held that rank since the census of 1850.

\* \* \*

Approximately 11,000 industries, employing more than half a million workers, operate in the state.

\* \* \*

The per capita value of factory and workshop products is greater in New Jersey than in any state except Rhode Island and Massachusetts: \$81 in 1850, \$603 in 1938. In 1935 the state reported 5.3 per cent of the value of all factory products made in the United States.

\* \* \*

More than 30 per cent of New Jersey's land is devoted to agriculture; her 29,000 farms have an annual output worth more than \$100,000,000.

\* \* \*

Thousands of New Yorkers and Philadelphians live in the attractive New Jersey towns that are near those great cities.

\* \* \*

And millions of New Yorkers and Philadelphians eat the fresh vegetables, fruits, poultry and dairy products raised in New Jersey.

\* \* \*

Eight industries accounted for 40 per cent of New Jersey's production in 1935, according to the Census of Manufactures: smelting and refining copper; petroleum refining; electrical machinery, apparatus and supplies; chemicals; foundry and machine shop products; motor vehicles; silk and rayon; dyeing and finishing textiles.

Other important industries are the manufacture of woolen and worsted goods, pottery, radios, explosives, wire and wire cloth, glass and glassware, rubber, Portland cement, asbestos products; brick, tile and terra cotta; shipbuilding; canning and preserving; leather and leather goods; jewelry.

\* \* \*

New Jersey boasts the best highway system in the country. Her eastern seashore, the attractive countryside of the southern and central sections, and the wooded hills and the lakes in the north are connected by fine roads.

\* \* \*

The state has the country's largest commuting population. New York and Philadelphia, of course, account for that.

\* \* \*

More than a third of New Jersey's people own their own homes.

\* \* \*

Also, a third of the state lies below the Mason-Dixon Line.

\* \* \*

Princeton, Rutgers, Stevens Institute of Technology, the New Jersey College for Women, and Newark University are among the state's institutions for higher education.

\* \* \*

Rutgers, at New Brunswick, cooperates with the American Bankers Association in conducting The Graduate School of Banking each June.

\* \* \*

New Jersey's coast is perhaps her most widely advertised attraction. She owns 132 miles of the Atlantic shore line (in fact, the state has a greater proportion of water boundary than any other state) along which are more than 60 resorts, including Atlantic City, Asbury Park, Cape May, Ocean Grove and Wildwood.

\* \* \*

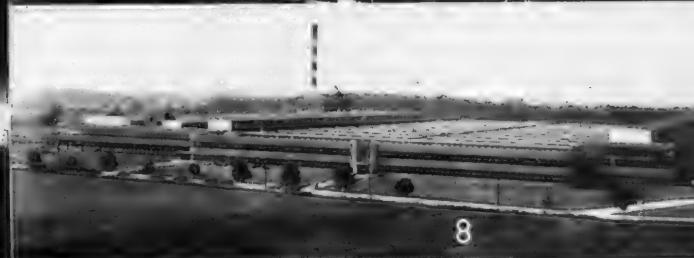
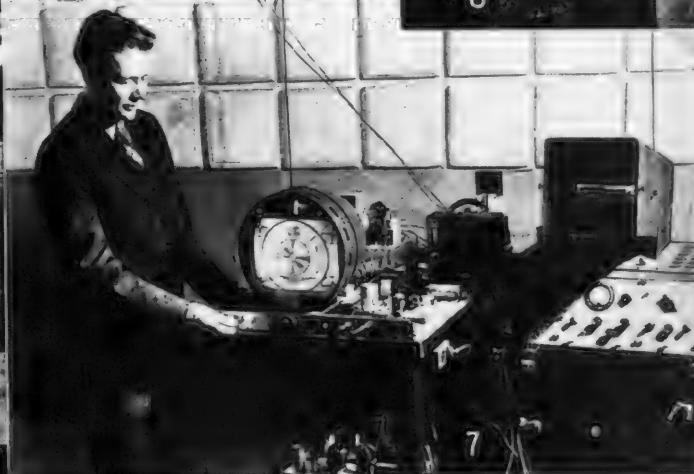
Many pages of American history were written in New Jersey. Points of historic interest throughout the state are almost too numerous to mention.

ON THE OPPOSITE PAGE—The famous trademarks shown are important factors in the New Jersey industrial picture. The photographs are: (1) some plastic products of du Pont; (2) in the Campbell soup kitchens; (3) a scene in New Jersey's dairy country; (4) Pulaski Skyway and Public Service of New Jersey power plant; (5) industries at Edgewater, with the New York skyline across the Hudson River; (6) in a testing laboratory of the Standard Oil Co. of New Jersey; (7) in the RCA Victor television laboratory; (8) a General Motors plant at Trenton; (9) a corner of the Monroe Calculating Machine Company's plant at Orange.

(1) FROM GENDREAD; (2) FROM CUSHING; (3) FROM TRIANGLE



Campbell's SOUPS



Tourists will want to see the Washington headquarters at Morristown, Somerville and Rocky Hill; the battlefields of Trenton, Princeton and Monmouth; Nassau Hall at Princeton where the Continental Congress once met.

\* \* \*

Then there are the Berrien House at Rocky Hill, where Washington penned his farewell address to the army; the Steuben House at River Edge; the first Episcopal Church built in America (1698) at Perth Amboy; New Jersey's Liberty Bell, at Bridgeton; the McConkey Ferry House in Washington Crossing State Park near Lambertsville, where Washington did his memorable navigating of the Delaware; the site of the Alexander Hamilton-Aaron Burr duel at Weehawken, overlooking the Hudson and Manhattan; the Trenton barracks, now a museum.

\* \* \*

Of more recent association are such places of interest as the Edison memorial tower at Menlo Park, marking the spot where Thomas A. Edison made the first incandescent light; the birthplace of Grover Cleveland at Caldwell, which is now a museum; the Walt Whitman house at Camden.

\* \* \*

New Jersey is exceptionally well favored geographically for industrial prominence. She is near the coal fields of Pennsylvania from which her manufacturers can draw their fuel supply at comparatively low cost. Her eastern waterfront is the Hudson River, New York Bay, State Island Sound and Raritan Bay, offering abundant wharfage and shipping facilities; and the shores of those waters are largely occupied by manufacturing plants to which water transportation is important. Also, New Jersey has two great markets close at hand—New York and Philadelphia.

\* \* \*

In the East, the sheltered shore line that extends from the Atlantic Highlands along the deep waters of Lower and Upper New York Bay, Staten Island Sound and the Hudson River, to the extreme northern limit of the state, has attracted numerous industrial plants.

\* \* \*

Here are located many of the country's largest facilities for oil refining, the refining of gold, silver, copper, and lead ores, and the manufacture of chemicals of every variety known to trade.

\* \* \*

Great machine shops, shipyards, steel works and architectural terra cotta plants are there, too.

\* \* \*

On the western side of the state substantially the same advantages are to be found along the New Jersey side of the Delaware River from Cape May to the head of navigation at Trenton.

The most important industries of New Jersey are centered principally in the following counties: Smelting and refining copper, Middlesex; petroleum refining, Hudson, Union and Middlesex; electrical machinery, apparatus and supplies, Essex and Hudson; chemicals, Essex, Middlesex, Hudson and Salem; foundry and machine shop products, Essex, Union and Passaic; motor vehicles, Essex, Bergen and Hudson; silk and rayon, Passaic and Hudson; dyeing and finishing textiles, Passaic, Bergen and Hudson; woolen and worsted goods, Passaic and Bergen; jewelry, Essex; pottery, Mercer; brick, tile and terra cotta, Middlesex; dye-stuffs, Salem; shipbuilding, Camden, Hudson and Essex; canning and preserving, Camden and Cumberland; leather and leather goods, Essex; radio and parts, Camden; explosives, Gloucester and Salem; wire and wire cloth, Mercer and Burlington; rubber, Mercer; glass and glassware, Cumberland; portland cement, Warren and Sussex; and asbestos products, Somerset, Mercer and Passaic.

\* \* \*

Captain John ("Don't Give Up The Ship") Lawrence and James Fennimore Cooper were born in adjacent houses in Morristown.

\* \* \*

The first settlers in New Jersey were the Delaware Indians. Then came the Swedes and Dutch, and finally the English.

\* \* \*

"Nova Caesarea" was the name assigned the Convention state by the patent which the Duke of York in 1664 granted to Lord John Berkeley and Sir George Carteret. Caesarea was the ancient name of the Island of Jersey, whereof Sir George had been administrator.

\* \* \*

The chain strung across the Hudson River at West Point, New York, to prevent the British from going up that stream during the Revolution was forged at the Ringwood, New Jersey, Iron Works, oldest plant of its kind in the country, built just 200 years ago.

\* \* \*

New Jersey also has the oldest lighthouse in the United States (Sandy Hook, 1764) and claims part of the oldest highway in North America—the Old Mine Road, going back to 1650, which originally connected Paquaharry and what is now Kingston, New York, a distance of slightly more than 100 miles.

**ON THE OPPOSITE PAGE**—More famous trademarks with homes in New Jersey. The photographs are: (1) aerial view over the New Jersey Meadows from Carteret; (2) in the testing room of the Ediphone plant of Thomas A. Edison, Inc.; (3) the Colgate plant, with its famous clock; (4) glass product manufacture, an important New Jersey industry; (5) Weehawken docks and factories with New York across the river; (6) assembly line in the Wright Aeronautical plant at Paterson; (7) dye houses and silk mills at Paterson.

(1) FROM SAWDERS-CUSHING; (2) FROM GALLOWAY; (3) FROM CUSHING

A.W. FABER

TRADE MARK

Thomas A Edison

COLGATE

Waterman's  
Ideal  
Fountain Pen

ARCTURUS  
ARCTURUS RADIO TUBE COMPANY

Hill

ERIE

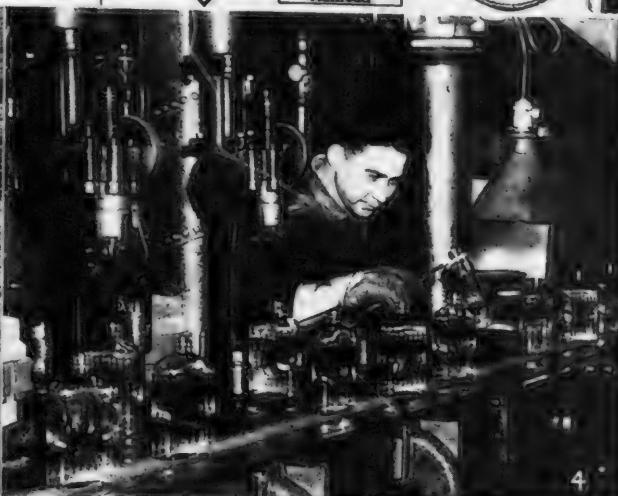
Lehigh Valley  
Railroad

Pyrene  
Fire  
Extinguishers

Custom Murphy  
Shoe

BECTON DICKINSON & Co

Bond



# Association Officers 1939-1940

Robert M. Hanes, President of the American Bankers Association and president of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina



Melvin Rouff, President of the National Bank Division and senior vice-president of the Houston National Bank



A. George Gilman, President, Savings Division and president of the Malden Savings Bank, Malden, Massachusetts



William S. Elliott, President, State Bank Division, and president of the Bank of Canton, Canton, Georgia





P. D. Houston, First Vice-president of the Association and chairman of the board of the American National Bank, Nashville, Tennessee



H. W. Koeneke, Second Vice-president of the Association and president of The Security Bank of Ponca City, Ponca City, Oklahoma



B. Murray Peyton, Treasurer of the Association and president of The Minnesota National Bank, Duluth, Minnesota

Roland E. Clark, President of the Trust Division and vice-president of the National Bank of Commerce, Portland, Maine

C. C. Wattam, President, State Secretaries Section, and secretary of the North Dakota Bankers Association, Fargo, North Dakota

J. L. Dart, President, American Institute of Banking, and vice-president of the Florida National Bank, Jacksonville, Florida



# The Association Year

1939

September 25-28	The 65th Annual Convention of the American Bankers Association, held in Seattle, elects Robert M. Hanes, president of the Wachovia Bank and Trust Company, Winston-Salem, N. C., to the Presidency. P. D. Houston, chairman of the board, American National Bank, Nashville, is made First Vice-president, and Henry W. Koenike, president, The Security Bank of Ponca City, Oklahoma, Second Vice-president.	February 6	A.B.A. announces that it will make a survey of bank lending activity during the last half of 1939.
	Division presidents chosen as follows: National Bank Division, Melvin Rouff, senior vice-president, Houston (Texas) National Bank; Savings Division, A. George Gilman, president, Malden (Massachusetts) Savings Bank; State Bank Division, William S. Elliott, president, Bank of Canton, Canton, Georgia; Trust Division, Roland E. Clark, vice-president, National Bank of Commerce, Portland, Maine; State Secretaries Section, C. C. Wattam, secretary, North Dakota Bankers Association.	February 13-15	Mid-Winter Trust Conference in New York.
	B. Murray Peyton, president, The Minnesota National Bank, Duluth, named Treasurer of the Association.	February 15	William Powers, assistant cashier and manager of personnel, National Bank of Detroit, named A.B.A. Director of Customer Relations.
October 16	Annual survey of school savings, published by the Savings Division, shows a slight net increase in these savings for the year ended June 30.	March 6-8	Regional Banking Conference in New York.
October 26-27	Tenth Mid-Continent Trust Conference in Chicago.	March 21-22	Regional Banking Conference in Denver.
October 27	Association members are notified of action to lift the minimum for protested checks.	April 3	Trust Division publishes a revised edition of "Guide to Trust Fees with Recommended Cost Accounting System."
November 3	William T. Wilson named Director of the A.B.A. Public Relations Council.	April 5	Representatives of the Association speak before the House Agricultural Committee in Washington on the Jones-Wheeler Bill to reorganize the Federal Land Bank System.
November 20	Bank survey handbook published by National Bank Division.	April 21-24	Spring Meeting of the Executive Council at Hot Springs, Virginia, approves the Hanes program of broadened A.B.A. services and ratifies merger of the activities of the Bankers Association for Consumer Credit with the A.B.A. Consumer Credit Department.
December 4	President Hanes, speaking at the forum dinner of New York Chapter, American Institute of Banking, announces figures on A.B.A. national survey of bank lending activity.	May 13	Executive Manager Stonier announces the appointment of John J. Rooney as Comptroller of the American Bankers Association.
December 4	Administrative Committee, meeting in New York, decides on a program of enlarged Association activities, embracing research and personalized service to banks in such fields as consumer credit, mortgage lending, agricultural loans and customer relations.	May 22	Consumer Credit Council is organized.
December 7-8	Regional Banking Conference in Richmond.	June 3-7	American Institute of Banking holds its 38th convention in Boston. Elects as president, J. Leroy Dart of the Florida National Bank, Jacksonville, and as vice-president, George T. Newell of the Manufacturers Trust Company, New York.
January 8	Study of insurance coverage for banks with more than five millions in deposits is published.	June 8	Dr. William A. Irwin made National Educational Director of the American Institute of Banking; Floyd W. Larson appointed National Secretary.
January 11	Dr. Paul F. Cadman of San Francisco named Economist of the American Bankers Association.	June 17	The Graduate School of Banking opens its sixth resident session at Rutgers University with an enrollment of 698 bank officers.
January 15	A. G. Brown, president, Ohio Citizens Trust Company, Toledo, appointed A.B.A. Deputy Manager in charge of the new Agricultural Credit Department.	June 19	A national conference group of representatives of the American Bar Association and the Trust Division is formed.
January 19	Walter B. French, vice-president, Trust Company of New Jersey, appointed A.B.A. Deputy Manager in charge of the new Consumer Credit Department.	June 20	Annual survey of the condition and operation of state banks published by the State Bank Division.
January 29	Dr. Ernest M. Fisher of the Federal Housing Administration, Washington, made A.B.A. Director of Research in Mortgage and Real Estate Finance.	June 21	President Hanes tells The Graduate School the results of the second bank lending activity survey.
		June 27	In a letter to the membership President Hanes says national defense can be financed through normal channels and urges banks to make every possible loan in connection with the defense program.
		July 9	Class of 232 bankers receives diplomas from The Graduate School.
		July 23	A. L. M. Wiggins, Chairman of the Committee on Federal Legislation, gives a statement at a Washington hearing on proposed amendments to the Fair Labor Standards Act.
		August 15-17	Bank Management Commission publishes a manual on the organization of regional clearinghouses.
			18th Regional Trust Conference of the Pacific Coast and Rocky Mountain States held at Salt Lake City.



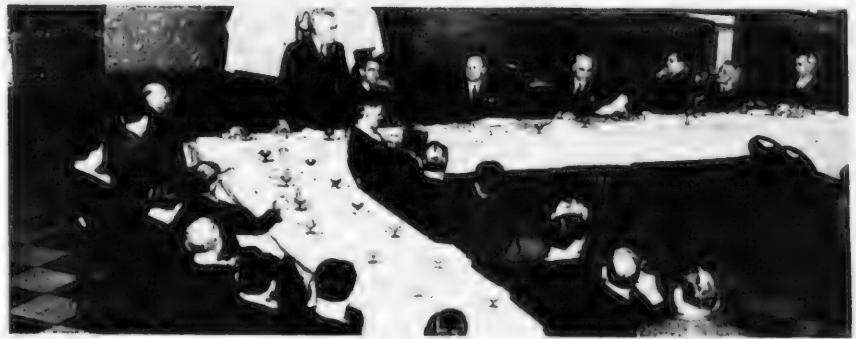
Above, the Graduate School of Banking Class of 1940

## Highlights



THE Hanes' program has included a nation-wide series of conferences and meetings, getting bankers together to discuss mutual problems to their benefit. On this page there are a few photographs of these and other activities that have crowded an outstanding Association year.

Left, the Bankers Association for Consumer Credit being addressed by President Hanes (See page 27, May BANKING)



Right, a farm credit meeting arranged by the Agricultural Credit Department of the A.B.A. (See page 88, June BANKING)



Below, the Bank Lending Study Committee (See page 62, March BANKING)

Below, the A.I.B. Convention in Boston (See page 80, July BANKING)



# The Editorial Page

By WILLIAM R. KUHNS

## Down to Earth

**I**N AN AGE of super economics, colossal plans, magnificent, sweeping solutions of world problems, bigger and BIGGER ideas, and giant, totalitarian intellects functioning in terms of nothing less than hemispheres, billions and centuries, plain, unassuming little ideas have a tough time. Nobody loves them.

## Nothing Exciting

WHAT IS THERE to stir the imagination in simply minding our own business? The late James H. Perkins said to his fellow workers in the bank, "The best way is for each of us quietly without excitement or fear to do the daily job before us."

Robert Hanes says that the solution of banking's problems as a whole must start with the improvement and strengthening of the individual unit. Know YOUR Bank, perfect its services and the larger problems of the banking system as a whole will be relatively easy. Perhaps the place for Americans to start solving their problems is right in their own communities, because the answers to some of our most famous difficulties are not in Buenos Aires, Berlin, Tokyo, London, Washington or even Fort Knox, Kentucky. They are so close they can bite us.

## Know Your Community

THERE ARE TOWNS and larger areas scattered all over the country where much independent progress has been made on the road to real prosperity and wellbeing. In every case the reason has been that certain active, farsighted individuals, bankers and business leaders, have irreverently decided to do something locally instead of waiting for the demigods to think of the right trick.

The story of these accomplishments has often been told but there should be more emphasis on the cumulative national importance of encouraging thousands of these local recoveries. The best examples that come to mind are farming communities. Agricultural areas, suffering from the ills of an exhausted soil and one-crop traditions, have been rehabilitated and put back on a sound basis through the introduction of improved stock breeds and crop rotation. Farmers have been aided with funds and with facts about everything from the education of children to higher yields per acre.

The same principle of regarding recovery primarily as a local problem can be put into practice in an industrial community just as well. Moreover the era of factory expansion that is definitely under way gives the whole subject an extraordinary timeliness.

## Inventory

ON PAGE 33 of this issue of **BANKING** are a few suggestions as to a self-survey method of knowing your com-

munity and measuring its economic possibilities and taking full advantage of every opportunity.

Hundreds of American localities have made studies of various kinds in order to advertise their geographical and transportational assets, but the job should be done again. We are in a new period and the banks should take the lead. Read these first suggestions carefully because **BANKING** will probably follow along in the months to come with more facts and information on how to make sure that your community is in the parade.

## Rich in Debts

THOMAS PAINE, who knew a thing or two about human beings and their delight in believing things that are patently wacky, wrote one of his letters "To the People of England" in November 1778 and said:

"By a curious kind of revolution in accounts, the people of England seem to mistake their poverty for their riches; that is, they reckon their national debt as part of their national wealth. They make the same kind of error which a man would do, who after mortgaging his estate, should add the money borrowed to the full value of his estate, in order to count up his worth, and in this case he would conceive that he got rich by running into debt. . . . There are as effectual limits to public debts as to private ones, for when once the money borrowed is so great as to require the whole yearly revenue to discharge the interest thereon, there is an end to further borrowing."

This is rather an inadequate excerpt and it was written a long time ago but the idea is there and is as timely as today's paper. Paine was taking a poke at Lord North, Lord Mansfield and others who failed to realize that the economic strength of a country is in its cities and towns and farms. The scattered, self-reliant communities of America were able to stand the cost of the war better than wealthy England because they did not have a debt-worried treasury, nor any treasury at all in the common meaning of the word.

## Really Now

THERE is an opinion that is very common today, which has come to have almost the acceptance of folklore or something from the Bible. It goes like this:

"A free economy such as ours in America cannot survive in a world that is elsewhere under military, socialistic dictatorships."

And why not? Simply because dictatorships are so doggone efficient and smart that a country run the way America has been for the last century and a half can't keep up with them.

Where did this idea come from and why should it have such popular acceptance and distinguished sponsorship among writers and public leaders? Can it be that we're not feeling well? Are we going to be sick?

(CONTINUED ON PAGE 127)

# Convention Committees

## New Jersey Bankers Association General Committee

CHAIRMAN, Hon. Carl K. Withers, President, Lincoln National Bank, Newark

VICE CHAIRMAN, Leslie G. McDouall, Vice-President, Fidelity Union Trust Co., Newark

SECRETARY and TREASURER, A. H. Coate, Secretary, New Jersey Bankers Association, Moorestown

H. Douglas Davis, President, New Jersey Bankers Association, *Chairman, Committee on State Attendance*; Vice-President, Plainfield Trust Company, Plainfield

Kenneth H. Dickson, President, New Jersey State Safe Deposit Association, Assistant Cashier, First National Bank, Westwood  
Charles Hasler, President, New Jersey Savings Banks' Association, Treasurer, Orange Savings Bank, Orange

Frank F. Allen, *Chairman Golf Committee*, Executive Vice-President, Seacoast Trust Company, Asbury Park

Hon. Frank Durand, *Chairman Committee on State and National Participation*, President, First National Bank, Spring Lake

F. Palmer Armstrong, *Chairman Entertainment Committee*, President, Keyport Banking Co., Keyport

William C. Kline, Jr., *Chairman Local Reception Committee*, Secretary and Treasurer, Guarantee Bank and Trust Company, Atlantic City

T. E. Lapres, *Chairman United Service and Civic Clubs Luncheon Committee*, President, Boardwalk National Bank, Atlantic City

Sidney A. Linnekin, *Chairman Publicity Committee*, Assistant Vice-President, First National Bank, Jersey City

Herman M. Sypherd, *Chairman Hotel and Registration Committee*, Vice-President, Guarantee Bank and Trust Company, Atlantic City

Russell L. Sammis, *Chairman Business Equipment and Advertising Displays*, Assistant Secretary, Camden Trust Company, Camden

Hon. Charles D. White, *Chairman Reception Committee*, President, Guarantee Bank and Trust Company, Atlantic City

## A.B.A. Conventions and Presidents Elected

1875—Saratoga Springs, New York	Hon. Charles B. Hall	1920—Washington, D. C.	John S. Drum
1876—Philadelphia, Pennsylvania	Hon. Charles B. Hall	1921—Los Angeles, California	Thomas B. McAdams
1877—New York City	Hon. Charles B. Hall	1922—New York City	John H. Puelicher
1878—Saratoga Springs, New York	Alex Mitchell	1923—Atlantic City, New Jersey	Walter W. Head
1879—Saratoga Springs, New York	Alex Mitchell	1924—Chicago, Illinois	William E. Knox
1880—Saratoga Springs, New York	Alex Mitchell	1925—Atlantic City, New Jersey	Oscar Wells
1881—Niagara Falls, New York	George S. Coe	1926—Los Angeles, California	Melvin A. Traylor
1882—Saratoga Springs, New York	George S. Coe	1927—Houston, Texas	Thomas R. Preston
1883—Louisville, Kentucky	Lyman J. Gage	1928—Philadelphia, Pennsylvania	Craig B. Hazlewood
1884—Saratoga Springs, New York	Lyman J. Gage	1929—San Francisco, California	John G. Lonsdale
1885—Chicago, Illinois	Lyman J. Gage	1930—Cleveland, Ohio	Rome C. Stephenson
1886—Boston, Massachusetts	Logan C. Murray	1931—Atlantic City, New Jersey	Harry J. Haas
1887—Pittsburgh, Pennsylvania	Logan C. Murray	1932—Los Angeles, California	Francis H. Sisson
1888—Cincinnati, Ohio	Charles Parsons	1933—Chicago, Illinois	Francis Marion Law
1889—Kansas City, Missouri	Charles Parsons	1934—Washington, D. C.	Rudolf S. Hecht
1890—Saratoga Springs, New York	Morton McMichael	1935—New Orleans, Louisiana	Robert V. Fleming
1891—New Orleans, Louisiana	Morton McMichael	1936—San Francisco, California	Tom K. Smith
1892—San Francisco, California	William H. Rhawn	1937—Boston, Massachusetts	Orval W. Adams
1893—Chicago, Illinois	M. M. White	1938—Houston, Texas	Philip A. Benson
1894—Baltimore, Maryland	John J. P. Odell	1939—Seattle, Washington	Robert M. Hanes
1895—Atlanta, Georgia	Eugene H. Pullen		
1896—St. Louis, Missouri	Robert J. Lowry		
1897—Detroit, Michigan	Joseph C. Hendrix		
1898—Denver, Colorado	George H. Russell		
1899—Cleveland, Ohio	Walker Hill		
1900—Richmond, Virginia	Alvah Trowbridge		
1901—Milwaukee, Wisconsin	Myron T. Herrick		
1902—New Orleans, Louisiana	Caldwell Hardy		
1903—San Francisco, California	Caldwell Hardy		
1904—New York City	E. F. Swinney		
1905—Washington, D. C.	John L. Hamilton		
1906—St. Louis, Missouri	G. S. Whitson		
1907—Atlantic City, New Jersey	J. D. Powers		
1908—Denver, Colorado	George M. Reynolds		
1909—Chicago, Illinois	Lewis E. Pierson		
1910—Los Angeles, California	F. O. Watts		
1911—New Orleans, Louisiana	William Livingstone		
1912—Detroit, Michigan	Charles H. Huttig		
1913—Boston, Massachusetts	Arthur Reynolds		
1914—Richmond, Virginia	William A. Law		
1915—Seattle, Washington	James K. Lynch		
1916—Kansas City, Missouri	P. W. Goebel		
1917—Atlantic City, New Jersey	Charles A. Hinsch		
1918—Chicago, Illinois	Robert F. Maddox		
1919—St. Louis, Missouri	Richard S. Hawes		

Hon. Charles B. Hall, first President of the Association





## Places You'll Want to See

23

**E**ASILY accessible from Atlantic City are numerous spots closely associated with American history. Many bankers will take the opportunity, en route to or from the Convention, to visit some of these landmarks and shrines in nearby New Jersey, Pennsylvania and New York.

A few suggestions as to points of particular interest are offered in the pictures on these pages.

## GOING TO THE ATLANTIC CITY CONVENTION?



**You'll save time by  
flying EASTERN!**

Take a good look at the map below.

Wherever you live, you'll probably find Eastern Air Lines can get you to Philadelphia or New York (nearest air terminals to Atlantic City) with a generous saving of time, bother and general travel fatigue. Flight-steward service; delicious full-course complimentary meals served aloft.



**TO FIND OUT ABOUT FLYING EASTERN** and quickest connections, call any travel bureau or hotel transportation desk, or 'phone your Eastern Air Lines Travel Agent.



PRINCETON—A beautiful campus



PHILADELPHIA—"Cradle of Liberty"

NEW YORK—The Fair, of course



DIENES FROM GUILMETTE

BANKING

**NEW JERSEY**—*Sixth in Industrial Strength . . .*

# NEWARK

## ITS GREAT FINANCIAL AND BUSINESS CENTER

**New Jersey**, although 45th in area, ranks sixth in industrial activity among the states of the union. Production is diversified. The state's railway facilities and vast network of motor highways are highly developed providing the manufacturer with quick access to many raw materials. Its suburban areas provide ideal living conditions and its summer and winter resorts are famous.

**Newark**, the largest city in the state, is a great financial, manufacturing and distributing center. Newark is served by five leading railroads and New Jersey's principal motor highways. Port Newark provides modern facilities for ocean and river commerce.

As New Jersey's largest financial center, Newark provides banking facilities that compare favorably with any in the country. Newark offers to manufacturers all the essentials for sound industry and invites companies who are considering an eastern plant to locate here.

### FACTS about the Newark Area . . .

BANKING RESOURCES, the total assets of all Newark Banks as of June 28, 1940 are \$538,113,000.00.

MANUFACTURED PRODUCTS, the total annual value is \$421,649,000.00.

ELECTRIC POWER and Light and Gas consumption, for the year 1939 was 604,053,202 kilowatt hours and 4,957,690,400 cubic feet respectively.

RETAIL STORE SALES VOLUME, totals \$197,527,000.00 per annum.

LIFE - FIRE AND INDEMNITY Insurance Companies' total assets are \$4,830,774,000.00.

LABOR SUPPLY includes an abundance of skilled and unskilled workers with a diversity of training.

DISTRIBUTION FACILITIES are highly developed providing quick access to the great eastern consumption areas.

### NEWARK CLEARING HOUSE Association

National Newark & Essex Banking Co.  
Merchants & Newark Trust Company  
Federal Trust Company  
Clinton Trust Company  
Lincoln National Bank  
United States Trust Company  
Columbus Trust Company

National State Bank  
Fidelity Union Trust Company  
West Side Trust Company  
Franklin Washington Trust Company  
Union National Bank in Newark  
Bank of Commerce  
Mount Prospect National Bank

MEMBERS FEDERAL DEPOSIT INSURANCE CORPORATION

### NEW JERSEY—the place to work and live . . .

New Jersey, the garden state, with its well developed urban and suburban areas and churches and schools, is the ideal place to live and bring up a family. The excellent housing facilities provide industrial and commercial enterprises with the means so necessary for the successful promotion of employee welfare relations. Interurban transportation facilities are ample for all needs.

# MONEY for the Manufacturer who wants to expand



NEW YORK—The nation's financial capital, from the harbor

CUSHING

**MILLIONS** of dollars are now available, through special arrangements with private financial interests, for manufacturers who plan new construction or expansion in New Jersey.

- Many small and medium-sized companies with expanding business have postponed necessary plant expansion because the recent Federal Undistributed Profits Tax has seriously depleted their reserves.
- *But you can build in New Jersey. The money is waiting for you.*
- Capital is quickly available to sound businesses not only for building new plants for themselves, but for the construction of new plants for their occupancy on a lease and option-to-buy basis.
- If you need a new plant or an addition to your present plant . . . if you plan to move or decentralize your operations, then find out how this new financial arrangement can help you. Complete details on request, without obligation.

Write Dept. T-6, New Jersey Council, State House, Trenton, N. J. Also ask for the booklet, "New Industrial Digest of New Jersey."



## NEW JERSEY

A good place to WORK, to Live and to Play

**P. S.** No income tax—personal or corporate, highly skilled cooperative labor, unexcelled transportation facilities, proximity of major markets, low cost utility service . . . are reasons why more than 1000 industries started operations in New Jersey last year.



TRENTON—Scene of a famous battle of the Revolution (above)

CULVER

VALLEY FORGE, PA.—This national shrine is now a beautiful park



F. P. G.

BANKING



CUSHING PHOTOS

WEST POINT, N. Y.—The United States Military Academy



WASHINGTON CROSSING, N. J.  
Where Washington landed after crossing the Delaware

NEW YORK CITY—Birthplace of Theodore Roosevelt, 28 E. 20th St.



## CAPE MAY COUNTY

INVITES YOU TO

*Follow the "flight of the gull"*

Through historic Cape May County, New Jersey, over the newly completed Ocean Drive, within sight and sound of the Atlantic Ocean for 50 miles... A chain of beautiful seashore towns dot the seashore within a stone's throw of quaint old villages and farms, which supply a large summer population and occupy over half the area of Cape May County.

Radiating from Cape May Court House, the county seat, are fine roads giving easy access to and from Baltimore, Washington, Philadelphia, New York and points beyond.

Information and booklet from:  
**PERCY H. JACKSON**  
Director, Board of Chosen Freeholders  
CAPE MAY COURT HOUSE, NEW JERSEY



## Distinctive OCEAN CITY

NEW JERSEY

### • MORE THAN A RESORT •

A Seaside City stabilized  
by land ownership.

An established summer  
population, many of  
whom occupy their own  
seashore homes  
*"in the hearing of the wave"*

Where the Recreational  
and the Cultural blend.  
A delightful atmosphere.

PUBLIC RELATIONS, Room 28, City Hall

## Achievement!

\*1937 TAX RATE \$9.00  
\*Previous Administration

1938 TAX RATE \$7.78

1939 TAX RATE \$5.91

1940 TAX RATE \$4.94

## 45% Reduction

Since Taking Office  
February, 1938

GEORGE KROGMAN  
Mayor

ROLAND CORSON  
Commissioner

BENJAMIN C. INGERSOLL, Jr.  
Commissioner

## WILDWOOD BY-THE-SEA • NEW JERSEY

**T**HE BANKS OF CAPE MAY COUNTY represent an important factor in community growth and prosperity in which they take justifiable pride. Any officer of the undersigned banks will welcome the opportunity to answer inquiries regarding this area.

CAMDEN TRUST COMPANY  
CAPE MAY OFFICE  
FIRST NATIONAL BANK  
CAPE MAY COURT HOUSE  
FIRST NATIONAL BANK  
STONE HARBOR  
MARINE NATIONAL BANK  
WILDWOOD  
WILDWOOD TRUST COMPANY  
WILDWOOD

MERCHANTS NATIONAL BANK  
CAPE MAY  
NATIONAL BANK OF OCEAN CITY  
OCEAN CITY  
FIRST NATIONAL BANK  
TUCKAHOE  
UNION BANK  
WILDWOOD  
WOODBINE NATIONAL BANK  
WOODBINE

*Greetings to the  
A.B.A.*  
FROM  
**PATERSON**  
**N. J.**

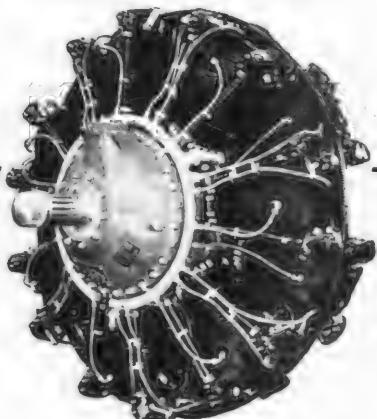
PATERSON, NEW JERSEY—"Cradle City of American Industry" is fifteen miles from New York City.

Founded in 1792 by Alexander Hamilton, it continues as a leading industrial center. Here was pioneered the production of the locomotive; the development of the submarine; and the manufacture of textiles and textile machinery.

Outstanding of Paterson's many and varied industries is the Wright Aeronautical Corporation—the largest aircraft engine manufacturing unit in United States.

Rich in history and tradition, warm in friendliness and hospitality, Paterson possesses all that is required of a clean, modern American city.

BROADWAY BANK & TRUST CO.  
CITIZENS TRUST COMPANY FIRST NATIONAL BANK  
FRANKLIN TRUST COMPANY  
LINARES AND RESCIGNO BANK  
PATERSON NATIONAL BANK SECOND NATIONAL BANK  
PATERSON SAVINGS INSTITUTION  
NATIONAL UNION BANK OF AMERICA  
UNITED STATES TRUST COMPANY



*The Wright Cyclone*



CULVER  
MENLO PARK, N. J.

An early picture of Edison in his laboratory



CUSHING  
NEW YORK CITY The Edgar Allan Poe cottage in the Bronx

MORRISTOWN, N. J. -Washington's Headquarters, 1779-1780



CUSHING  
BANKING



GEORGE WASHINGTON BRIDGE - Connects New Jersey and New York



PRINCETON, N. J. - Home of a university, scene of a battle



September 1940

# BERGEN COUNTY

NEW JERSEY

*Is the ideal place for your home  
- for your factory*

Its area is 247 square miles. Two-thirds of this has not been built upon. Still splendid room for high class residential development and industrial expansion.

Combines all the advantages of thriving industrial communities with nearby residential districts which are decidedly attractive to business executives.

Bounded on the East by the majestic Palisades. The Ramapo Mountains frame it on the West, between a series of hills and valleys, over and through which run transportation arteries — rail and finest highways — serving its 70 communities.

It is the Western Gateway of the George Washington Bridge — the greatest single span suspension bridge in the world.

It lies directly across the Hudson River from the largest city in the world — New York.

It is one of the key cities in the Metropolitan Area. This includes all territory embraced in a radial sweep of 40 miles from the City Hall in New York City.

It has more than 400,000 people today. It will have a half million in 1950 and one million by 1970.

○

## BERGEN COUNTY BANKERS ASSOCIATION

With its 40 banks, with resources of more than \$140,000,000, invites you to investigate its many distinctive advantages.



**A. B. A.,  
welcome to  
The TRAYMORE**

**W**E'RE elaborately prepared to offer you Atlantic City's finest appointments and advantages. Our chefs have conjured up new dishes to tempt your appetite. The Lido Beach is gay with cabanas and bathers. Between sessions, retreat to the Padiodel Sol for refreshments and rhythm or tarry in the Stratosphere Room for dancing and spirited entertainment. Surf bathing from your room. It's a comfortable, luxurious life at The Traymore—more by far for the money than anywhere else.

*Cruise Ashore at The*  
**TRAYMORE**  
on the Boardwalk  
**ATLANTIC CITY**  
Bennett E. Tousley, Gen. Mgr.

**While They Last!**

A few extra copies of this the Yearbook issue have been printed. While the supply lasts copies are available at twenty-five cents.

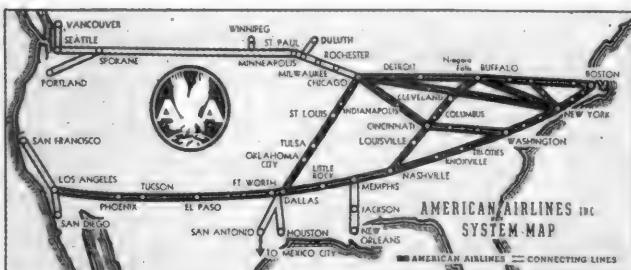


WASHINGTON, D. C.—The capitol is on the itinerary of many Convention delegates

NEW YORK CITY—A view of City Hall Park



PHILADELPHIA—In the United States Mint



**TAKE YOUR TIME  
Go American  
TO THE CONVENTION**

• You can leave at the last minute, get to the convention on time and have time to spare—if you take a Flagship! American's coast-to-coast routes and its excellent connections northwest of Chicago provide highly convenient service for the majority of convention-bound delegates. See your Travel Agent for reservations or phone nearest office of AMERICAN AIRLINES, Inc.



GENDREAU  
BANKING

# Two Days in New York

Two days of entertainment and sightseeing in New York City, including celebration of American Banking Day at the World's Fair, will follow the Convention of the American Bankers Association at Atlantic City. A banker, Harvey D. Gibson, president of the Manufacturers Trust Company, heads the Fair corporation.

The cooperating committee of New York bankers, in charge of arrangements for the post-convention tour of the metropolitan area, is planning a busy program. Banker delegates arriving in New York from Atlantic City on the morning of September 27 will have the day at their disposal. They will have courtesy cards for the New York Stock Exchange, the Curb Exchange, Radio City, and Rockefeller Center. Several New York banks are holding open house.

Friday evening there is to be a buffet supper and entertainment at the Belgian Pavilion at the Fair, with the New York City Clearing House Association.

ciation as host. Later in the evening General Motors Corporation has arranged a special showing of its popular *Futurama*.

American Banking Day on Saturday, September 28, will be marked by bank luncheons and several special events at the Fair. No formal program is being arranged, but the committee is endeavoring to assure a large attendance of New York City and state bankers, including members of the American Institute of Banking.

The New York bankers committee consists of W. Randolph Burgess, vice-chairman of the board of The National City Bank of New York; Percy H. Johnston, chairman of the board of Chemical Bank & Trust Company; Mr. Gibson; Clinton W. Schwer of the personnel staff of The Chase National Bank and president of New York Chapter, American Institute of Banking Section; and W. Gordon Brown, secretary of the New York State Bankers Association.

## Editorial Page

(CONTINUED FROM PAGE 118)

If it were true that the snappy one-man governments can do things better, produce more wealth and ship it around the world more efficiently than we can, the outlook for individual freedom would be serious indeed. But wait. What single proof is there? Isn't all the evidence on the other side? Take Russia, for example. You're welcome.

Why is it that our American system has worked so well in the past that every country in the world wanted to discover our methods and imitate them? It was because of opportunities for development here and the freedom which individuals enjoyed in taking advantage of those opportunities.

Why is it that we preferred our American freedom of personal endeavor over the caste systems that prevailed abroad? It was because we felt that free private enterprise was able to bring out an individual's best efforts and that the suppression of rights and too much military rum-ti-tum discouraged initiative, quelled the spirit and retarded progress.

Goose-stepping might make soldiers, but if Germany keeps her present kind of government long enough she won't be anything for us to worry about economically. Totalitarian layouts, partic-

ularly if they are either ruthless or desperate, enjoy an advantage in war and foreign trade arrangements. But after all there is nothing to stop us from meeting economic and military competition with the same weapons as those used against us and we can do it without changing our creed or our habits.

### THE BANK WOMEN

The Association of Bank Women is holding its convention in Atlantic City just prior to the meeting of the American Bankers Association.



HERE IS A LAND OF SEA AND SUN

## Look at THE OCEAN, AND AT Ocean County

● From Point Pleasant Beach to Beach Haven, Ocean County has more than 150 miles of seashore and bayshore coast line—and (with but one exception) more hours of sunshine each year than any place east of the Mississippi.

● Barnegat Bay, guarded by famed Barnegat Light, is world renowned for its fishing and, with Toms River, provides safe anchorage for countless pleasure craft and fishing boats.

● Commercially, Ocean County's food industry ranks high, producing yearly (among other things) 240,000,000 clams, 250,000 bushels of oysters, 25,000 barrels of cranberries and 43,194,000 eggs.

● What's more, increasing numbers of wide-awake folks in search of better bathing, fishing and living are summering in this area—or are building permanently.

*An opportunity to tell you more about the many advantages of Ocean County will be welcomed by any of the undersigned banks.*

BEACH HAVEN NATIONAL BANK  
AND TRUST COMPANY  
FIRST NATIONAL BANK, BARNEGAT  
FIRST NATIONAL BANK, TOMS RIVER  
OCEAN COUNTY TRUST COMPANY,  
TOMS RIVER  
OCEAN COUNTY NATIONAL BANK,  
POINT PLEASANT BEACH

## In the WINTER

LAKEWOOD, Ocean County's famed winter resort, offers health and happiness—and a sky full of pine air and sunshine—to busy executives everywhere.

LAKEWOOD, NEW JERSEY

## Big Program Awaits 66th Convention of the A.B.A.



Convention Headquarters, Chalfonte-Haddon Hall Hotel

### Special Trains Scheduled for Convention

Several special trains will be at the service of bankers who are going to the Atlantic City Convention, Sept. 22-26, from distant parts of the country.

Here is a train schedule:

#### Falltonic Special

Leaves Chicago Saturday, Sept. 21, 10:30 A.M. Travellers will have dinner at Cleveland that evening as guests of the Cleveland Clearing House Association; train arrives at Atlantic City Sunday, Sept. 22, 9:45 A.M.

#### Missouri-Kansas Special

Leaves Kansas City Thursday, Sept. 19, 11:59 P.M. Leaves St. Louis Friday, Sept. 20, 10 A.M. Passengers are dinner guests Thursday of the Kansas City Clearing House Association and breakfast guests Friday of the St. Louis Clearing House Association. There is an all-day stopover Saturday, Sept. 21, at Washington, D. C. Train arrives at Atlantic City Sunday, Sept. 22, 7:15 A.M.

#### Oklahoma Bankers Special

Leaves Oklahoma City Thursday, Sept. 19, 5:45 P.M. and Tulsa 8:35 P.M. This special

is routed with the Missouri-Kansas Special from St. Louis to Atlantic City.

#### President's Special

Leaves New Orleans Friday, Sept. 20, 10:15 P.M., arriving Atlantic City Sunday, Sept. 22, 9:10 A.M. Special cars from Memphis, Birmingham, Louisville, Chattanooga and Jacksonville will join this train at Atlanta. Departure from that city is at 1 P.M. Saturday, Sept. 21.

Members of the New Orleans Clearing House Association will be hosts on Sept. 20 to delegates passing through the city en route to the Convention. Entertainment will include luncheon, sightseeing tour, cocktail party and dinner.

#### From New York

Through trains to Atlantic City from New York (Pennsylvania Station) include the 9:20 A.M., arriving at 12:05 P.M., and the 2:15 P.M., arriving at 5:00 P.M. In addition, there is a train on Friday only leaving at 5:20 P.M. and arriving at Atlantic City 8:05 P.M. (Times, Eastern Standard.)

(Continued on page 130)

### General Sessions, Division Meetings, Roundtables Arranged for Atlantic City; Entertainment Features Are Announced

By train, plane, boat and car bankers will be travelling this month to Atlantic City, N. J., and the 66th Annual Convention of the American Bankers Association. The dates are Sept. 22-26.

#### Institute "Bulletin" Goes to Subscribers of "Banking"

The BULLETIN, quarterly periodical of the American Institute of Banking Section of the American Bankers Association, is being sent to subscribers of BANKING, beginning with this issue.

Floyd W. Larson, National Secretary of the Institute, and editor of the BULLETIN, says in an editorial article:

"Through its association with BANKING the message of the Institute will reach more directly and forcefully bank officers, bank directors and prominent businessmen throughout the country."

An editorial advisory committee of three men has been appointed by J. L. Dart, Institute President. They are: Leroy Clark, Marine Midland Trust Company, New York City; William M. Dorr, Citizens Union National Bank, Louisville, Ky.; and John A. Eiseman, The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia.

"This board," says Mr. Larson, "will advise regarding the publishing of material that Institute readers desire and thus will assist in determining the Bulletin's editorial policy and content."

Robert D. Hammer of the Institute staff is assistant editor.

Robert M. Hanes, president of the Wachovia Bank and Trust Company of Winston-Salem, N. C., who has directed Association affairs during a year of marked A.B.A. activity and expansion, is in general charge of the Convention arrangements, including a program packed with practical features bearing on bank management and operations. Headquarters is the Chalfonte-Haddon Hall Hotel.

The 1940 Convention, meeting on the industrially important Atlantic seaboard, holds its first sessions on Monday, Sept. 23, and its last one on the evening of Sept. 26 when the new officers will be installed at the annual inaugural ceremony. From the Division meetings of opening day, through the general sessions, round-table conferences and panel discussions, bankers will hear topics of their profession discussed by experts.

They will also pay honor to United States Senator Carter Glass of Virginia for his services to American banking, and they will hear important addresses by President Hanes, Governor Clyde R. Hoey of Mr. Hanes' state, North Carolina, and E. S. Woosley, Louisville banker, among others.

Special features include observance of the 40th anniversary of the American Institute of Banking Section and the installation of Dr. William A. Irwin as National Educational Director of the Institute; panel (Continued on page 129)

## Convention Timetable

General Convention sessions and the inaugural ceremony are in the Municipal Auditorium. Division meetings, round tables, committee meetings and other business gatherings take place in the Chalfonte-Haddon Hall Hotel. Entertainment features are at various places.

### Sunday, September 22

12 M.	Bank Management Commission luncheon
2:30 P.M.	Finance Committee; Foundation Trustees
3:00	Public Relations Council
3:30	Savings Division Executive Committee
4:30	The Graduate School of Banking Board of Regents
6:30	State Bank Division Executive Committee
9:00	Concert by Madrigal Singers
9:30	Administrative Committee

### Monday, September 23

8:00 A.M.	Membership Committee
9:00	Insurance and Protective Committee
9:30	Federal Legislative Committee and Federal Legislative Council; Research Council; Consumer Credit Council; Trust Division Executive Committee; Agricultural Commission
10:00	Committee on State Legislation; State Secretaries Section Board of Control and general meeting
11:00	Special Committee on Wagner Studies
12:30 P.M.	Commerce and Marine Commission
2:00	Meetings of State Bank, National Bank, Savings, and Trust Divisions
2:30	State Legislative Council; Economic Policy Commission

3:15	Tea for ladies
6:30	Executive Council
8:00	Education and Public Relations; State Secretaries Section

### Tuesday, September 24

8:00 A.M.	Agricultural Commission Subscription breakfast
9:30	Roundtable on New Business Development
2:00 P.M.	Roundtable on real estate loans
3:00-5:00	Tea for ladies
9:00	Ice carnival, Municipal Auditorium

### Wednesday, September 25

9:45 A.M.	General Convention, Municipal Auditorium
2:00 P.M.	Roundtable on operating problems
3:00	Nominating committee
6:30	State Bank Division officers' and state bank commissioners' dinner

### Thursday, September 26

7:30 A.M.	Bank Management Commission organization meeting
8:00	Membership Committee and A.B.A. State Vice-presidents
9:45	General Convention, Municipal Auditorium
12 M.	Civic Club Luncheon, Traymore Hotel
12:30 P.M.	Executive Council
2:00	Roundtable on consumer credit
3:00	Membership Committee (new); Administrative Committee
3:00-5:00	Tea for ladies
8:45	Inaugural ceremony, Municipal Auditorium; Recital by John Charles Thomas
10:00	Grand ball, Municipal Auditorium

## A.B.A. Helps Banks Tell Public They Are Ready to Aid Defense Financing

Through the assistance of the A.B.A. Advertising Department, Association members have done a most effective job in telling the public that the banks of America are not only willing, but able, to finance the defense needs of the country.

After President Hanes wrote to all member banks stating his conviction that national defense can be financed through normal banking and investment channels, the Advertising Department prepared and sent to all Association members a recommended program for carrying this information to business men and the American public.

This program consisted of:

1. Newspaper advertisements on national defense financing to be used individually by banks or jointly by groups of banks.
2. Suggested stories for use in local newspapers.
3. A folder entitled, "It Can Happen Here", to be sent to depositors.
4. A suggested resolution to be adopted by the local clearing house association.

Merle E. Selecman, Director of Advertising for the Association, reports that banks all over the country have used a part or all of this program and many commendatory letters have been received.

## The Convention

*(Continued from page 128)*

discussions along "Information, Please" lines; and roundtables covering many phases of the Association's services.

The State Secretaries Section, meeting Sept. 23, will hear reports of its standing committees and participate in a roundtable discussion.

### Many Entertainment Features Planned

In addition to the many business sessions, the Convention delegates will find time for diversion and recreation. The climax of the entertainment program comes on Sept. 27 and 28 when there will be a post-Convention visit to New York and the World's Fair.

The Convention golf tournament will be run off at convenient intervals during the

week rather than on a single day.

Other events include an ice carnival in Atlantic City's Municipal Auditorium at 9 P.M., Sept. 24; a civic clubs luncheon in the auditorium at noon the 26th, at which Vice-President Houston will preside and Gov. Moore will speak; afternoon teas for the ladies; and a concert by the Madrigal Singers, Sept. 22.

The election of officers comes at the second Convention session, Sept. 26. They will be installed that evening. University of Pennsylvania Glee Club and John Charles Thomas will sing.

Carl K. Withers, president of the Lincoln Bank, Newark, is general chairman of local arrangements for the Convention.

## Bank Women's Association To Hold 18th Annual Convention Sept. 19-21

The 18th annual convention of the Association of Bank Women will be held in Atlantic City, Sept. 19-21. Headquarters will be at the Hotel Dennis.

Miss Mildred Roberts, president of the association, and assistant cashier, Citizens National Trust & Savings Bank, Los Angeles, in discussing the convention, said:

"Never in the history of our organization has greater significance been attached to our members' attendance. Chaotic conditions in Europe are reflected in the economic reactions of the whole world. Women in our profession are faced with the necessity of being better equipped to offer intelligent counsel and timely advice to our bank's customers, to help them meet unusual situations.

"This year the association is serving in the truest sense of the word its basic purpose. It was organized in 1921 by a small group of bank women in New York. Its primary object is to bring together women in executive positions in banking institutions throughout the country for mutual exchange of ideas and experience in order that practical benefits be derived therefrom. It furthermore promotes the interests of all women in this profession and upholds their dignity and integrity.

"Those members who have attended our conventions in the past, have found them both stimulating and inspiring. We are confident that all of us who meet in September with our associates from 42 states, for a frank discussion of our common problems and interests, will derive benefits greater than ever before to aid us in contributing constructive service to our banks, to our customers and to our respective communities."

Miss Roberts announced the following chairmen of committees for the convention:

General convention chairman, Miss Katherine Moore, National Newark & Essex Banking Co., Newark, N. J.; headquarters and reservations, Miss Rebecca R. Haines, Provident Trust Co., Philadelphia; printing and

badges, Miss Marjorie Allison, Lehigh Valley Trust Co., Allentown, Pa.; program, Miss Anne Houstoun Sadler, Bank of the Manhattan Co., New York City; publicity co-chairmen, Mrs. Mary Berkeley Fink, Morris Plan Bank of New York, and Miss Hilda M. Hoffman, Bowery Savings Bank, New York City; registrations, Mrs. Elizabeth Van Sciver, First National Bank of Princeton, Princeton, N. J.; entertainment and hospitality, Mrs. Mary G. Roebling, Trenton (N. J.) Trust Co.; nominating, Miss Grace S. Stoermer, Bank of America, N. T. & S. A., Los Angeles.

## Bank Auditors To Meet in St. Louis

The National Association of Bank Auditors and Comptrollers holds its 16th annual convention in St. Louis, Oct. 16-19.

Subjects selected for discussion include: "Auditors and Comptrollers Reports As an Aid to Bank Management", "Instalment Loans—Audit and Control", "The Objectives of Bank Supervision", "Mortgage Loans—Audit and Control", "Educating the Bank Auditor", "Banks' Reserve Accounts".

Speakers scheduled to address the convention include: J. W. Massie, association president, and auditor, Republic National Bank, Dallas; E. M. Kleinsorge, cashier, Southwest Bank, St. Louis; Hugh E. Powers, cashier, Lincoln Bank and Trust Co., Louisville; Ben E. Young, vice-president, National Bank of Detroit; George D. Grimm, auditor, National Shawmut Bank, Boston; C. L. Tewksbury, auditor, Fort Wayne (Ind.) National Bank; Vance L. Sailor, supervising examiner, 6th FDIC District; Francis A. Zara, assistant vice-president, City Bank Farmers Trust Co., New York; John C. Shea, auditor, Whitney National Bank, New Orleans; William C. Tompkins, auditor, First National Bank, St. Louis.

## I.B.A. Picks Its "Regular" Slate

### Renames Connely, 3 Vice-presidents

Three vice-presidents of the Investment Bankers Association of America have been nominated for reelection and the two other vice-presidential nominees have been chosen from among members of the committee that is conducting the public information program recently inaugurated by the association.

This make-up of the "regular" ticket, announced through the Chicago office of the association, is consistent with the policy set two months ago when Emmett F. Connely was nominated for reelection as president.

It is the first time that a president of the organization is to succeed himself. The committee nominating Mr. Connely stated he had been induced to accept the office a second time in order to assure "continuity of the vigorous administration of the program of public information started this year." Meanwhile, he has taken a leave of absence from his own investment house, the First of Michigan Corporation of Detroit, of which he was president, to serve as full-time chairman of the association's Public Information Committee.

Officers are nominated by the board of governors and elected at the annual convention, to be held at Hollywood, Florida, Dec. 9-13. Nomination is considered tantamount to election.

Present vice-presidents nominated for reelection are: Paul H. Davis of Paul H. Davis & Co., Chicago; Edward H. Hilliard of J. J. B. Hilliard & Son, Louisville; Joseph P. Ripley of Harriman Ripley & Co., Incorporated, New York.

Those nominated to be vice-presidents for the first time are: John S. Fleek of Hayden, Miller and Company, Cleveland; John O. Stubbs of Whiting, Weeks & Stubbs Incorporated, Boston.



Emmett F. Connely

Mr. Hilliard and Mr. Ripley were members of the special committee that planned and launched the public information program. Mr. Fleek and Mr. Stubbs are members of the committee responsible for its operation, and Mr. Davis was chairman of the national committee of sponsors that raised the funds to carry it out.

## Trust Conference Committees Named

Committees for the 11th Mid-Continent Trust Conference to be held at the Stevens Hotel, Chicago, Nov. 7-8 under auspices of the A.B.A. Trust Division have been announced by Oliver A. Bestel, president of the Corporate Fiduciaries Association of Chicago and vice-president of the First National Bank of Chicago.

Charles Gates Dawes, chairman of the board of the City National Bank and Trust Company, is the chairman of the advisory committee. Mr. Bestel is chairman of the Corporate Fiduciaries Association committee, and C. Edgar Johnson, assistant vice-president of the First National Bank, is chairman of the committee on arrangements.

## Train Schedule

(Continued from page 128)

There are more frequent trains with changes at Philadelphia.

### To New York

After the Convention the Bankers Special, carrying bankers to New York, leaves Atlantic City Friday, Sept. 27, at 9:25 (Eastern Daylight Time) and reaches New York at 12:05 P.M.



# *Canada, with TRAVEL CONDITIONS NORMAL, Welcomes You This Autumn*

**A**UTUMN as a vacation season has the preference of many business men and their families. There is a strong appeal in the pleasantly warm days and the cool restful nights. There is a real zest in autumn motoring, exploring new country, enjoying new scenes.

Canada is an ideal place for your autumn vacation. Its scenic beauty is approaching its height, and as the season advances the grandeur of its autumn colouring covers the countryside, the woods and the hills with a mantle of crimson and gold. Here, too, is a veritable sportsman's paradise among the streams, through the woodland and over the fairways.

And Canada should have a special appeal to those who for years have spent their vacation in the Old World and now must postpone their return indefinitely. For here, on the banks of its historic rivers, exists and thrives a civilization tracing its unbroken descent for over three centuries and reminiscent of the France beloved by and well known to the American people.

If you come to Canada you will find friendly neighbours who, in the midst of their war effort, are not too busy or preoccupied to give you a hearty welcome. Travel conditions are normal, accommodation is ample, food is abundant and prices of all goods are reasonable.

Come to Canada and, in the tang of its autumn air, enjoy a real holiday before you begin your winter's work.

Information as to business and touring conditions may be obtained from the Manager of any one of our 560 branches in Canada, or from any of our American offices as listed below:

#### New York

Portland, Oregon  
Seattle, Washington

San Francisco, California  
Los Angeles, California

## THE CANADIAN BANK OF COMMERCE

## F.A.A. Plans Its 25th Convention

### Advertising Men Meet in October

Interpreting financial facilities to the public will have the attention of about 500 members of the Financial Advertisers Association for the 25th annual convention at Hot Springs, Va., Oct. 28-30, according to Stephen H. Fifield, president. Mr. Fifield is vice-president of the Barnett National Bank, Jacksonville, Fla.

Mr. Fifield lists four qualities which he says characterize all F.A.A. conventions. The annual conferences are short, never more than four days; the first hour of each day, beginning at 9 A.M., is devoted to a school session attended by all delegates and led by a national authority touching upon advertising, sales, or public relations; a comprehensive exhibit of current financial advertising prepared and displayed by members receives not only program attention, but is studied by the many financial advertising men and women who attend; "round table" sessions on specific merchandising and public relations problems are scheduled each afternoon.

The 1940 convention committee appointments are completed, with Robert J. Izant, vice-president, Central National Bank of Cleveland, serving as general chairman.

General program chairman



Stephen H. Fifield

is Lewis F. Gordon, assistant vice-president, Citizens & Southern National Bank, Atlanta. Mr. Gordon's committee is departmentalized, as follows: Trust, John M. Zuber, vice-president & trust officer, Ohio Citizens Trust Company, Toledo; commercial, Robert Lindquist, public relations director, American National Bank & Trust Company, Chicago; savings, John Bodfish, secretary, First Federal Savings and Loan Association, Chicago; investment, James Rascovar II, vice-president, Albert Frank-Guenther Law, Inc., New York; consumer credit, I. I. Sperling, assistant vice-president, Cleveland Trust Company.

Chairmen of the entertainment committee are R. D. Cameron, second vice-president, Continental Illinois National Bank, Chicago, and Chester L. Price, City National Bank & Trust Company, Chicago.

The reception committee chairman is Robert L. Flather, assistant secretary, American

## 200 Graduate Theses *Insured Banks' Net Profits Up in 1939*

The Graduate School of Banking conducted by the American Bankers Association has issued a cumulative catalogue of approximately 200 theses which are available for examination on application to the Association library.

Each year the School faculty selects theses which it thinks should be made accessible for examination and reading. The catalogue includes the studies approved for distribution out of those submitted by the classes of 1937, 1938, 1939 and 1940. These are now on file at the Association's library, 22 E. 40th Street, New York City, and will be mailed, says Dr. Harold Stonier, Director of the School, to those interested, under the conditions imposed by the library regarding the use of its books and documents.

Security & Trust Company, Washington, D. C.

The attendance committee is comprised of: Advertising, J. M. Easton, The Northern Trust Company, Chicago; transportation, Eliot H. Thomson, Washington, Loan & Trust Company, Washington, D. C.; publicity, Harry B. Winsor, Second Federal Savings & Loan Association, Cleveland.

The exhibit committee chairman is L. L. Jeffers, First National Bank, Fort Worth, Texas, with Erwin O. Meeh, Irvington National Bank, Irvington, N. J., as vice-chairman.

Net profits after dividends of all insured commercial banks rose last year to 30 cents per \$100 of deposits compared with 15 cents per \$100 of deposits in the previous year, according to a survey of bank earnings and expenses prepared by the A.B.A. Bank Management Commission.

Operating earnings from all sources before deduction of expenses by 13,544 insured banks in the United States were only \$2.87 per \$100 of deposits in 1939 compared with \$3.19 in 1938.

Current operating expenses declined to \$2 per \$100 of deposits from an average of \$2.25 in 1938. Deduction of these expenses from operating earnings left a net operating earnings average of 87 cents against 94 cents a year ago.

Recoveries on previous losses and profits on securities sold increased to 68 cents per \$100 of deposits from 66 cents a year earlier. Losses and charge-offs last year, on the other hand, declined to 83 cents per \$100 against \$1 in 1938.

Addition of recoveries and profits on securities, after deduction of losses and charge-offs, left net profits before dividends of 72 cents per \$100 of deposits for the year compared with net of 60 cents for the previous year. Dividends paid amounted to 42 cents per \$100 of deposits in 1939 against 45 cents in 1938.

## CONVENTIONS

### American Bankers Association

Sept. 22-26 Annual Convention, Atlantic City, New Jersey  
Nov. 7-8 11th Mid-Continent Trust Conference, Chicago

### State Associations

Sept. 6 Delaware, Rehoboth Beach  
Sept. 7 Nevada, Riverside Hotel, Reno  
Sept. 9-11 Iowa, Hotel Fort Des Moines, Des Moines  
Oct. 9-11 Kentucky, Brown Hotel, Louisville  
Oct. 12 New Hampshire Fall Meeting, Whitefield  
Oct. 24-25 Nebraska, Hotel Lincoln, Lincoln

### Other Organizations

Sept. 2-5 Texas Bankers Conference, University of Texas, Austin  
Sept. 5-7 Maine Savings Banks Association, Rangeley Lakes  
Sept. 8-13 Tennessee Bankers Conference, University of Tennessee, Knoxville

Sept. 18-20	National Association of Supervisors of State Banks, Richmond, Virginia
Sept. 18-20	National Industrial Advertisers Association, Inc., Hotel Statler, Detroit, Michigan
Sept. 19-21	Association of Bank Women, Atlantic City
Sept. 26-27	Massachusetts Cooperative Bank League, New Ocean House, Swampscott
Sept. 30, Oct. 1 & 2	Morris Plan Bankers Association, Del Monte Hotel, Del Monte, California
Oct. 2-4	Mortgage Bankers Association of America, Chicago
Oct. 2-4	Savings Banks Association of the State of New York, Lake Placid, New York
Oct. 14-18	American Institute of Accountants, Memphis
Oct. 16-19	Annual Convention, National Association of Bank Auditors and Comptrollers, Saint Louis, Missouri
Oct. 28-30	Financial Advertisers Association, Hot Springs
Dec. 9-10	Southern Conference of Bankers Association Secretaries, Louisville, Kentucky
Dec. 9-13	Investment Bankers Association of America, Hollywood Beach Hotel, Hollywood, Florida





# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## BULLETIN OF THE AMERICAN INSTITUTE OF BANKING



EDUCATIONAL SECTION  
AMERICAN BANKERS ASSOCIATION

SEPTEMBER

1940

\*

Leadership

*R. M. HANES*

*J. T. DURR*

\*

The Industry  
Study

*L. E. WAGELE*

\*

Education for  
Public Relations

*L. E. DAVIS*

\*

A.I.B. News

CONTENTS . . . PAGE 1

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LAWRENCE SYSTEM OFFICES:

New York, 72 Wall Street • Chicago, 1 No. La Salle Street • San Francisco, 37 Drumm Street • Buffalo • Boston • Philadelphia • Kansas City • St. Louis • Minneapolis • Dallas • Houston • Los Angeles • Fresno • Portland, Ore • Spokane • Denver • Honolulu

# WE HAVE TAKEN A PAGE FROM A·I·B



## INTELLIGENCE AND BUSINESS EXPERIENCE

aren't enough. Before any man enters the ranks of our Warehouse Examiners he must graduate from the technical training schools which we conduct. • Even then, his academic training does not stop. Better operating methods and improved safeguards are being developed continuously and are passed along to our entire service staff. The conference group method is used to keep our organization abreast of changing conditions. Thus, each of our

operators is constantly exposed to the experiences of all the rest. • Such training methods are costly, but they have enabled us to offer the banker the soundest field warehousing service obtainable. • Whenever you encounter a troublesome credit situation—normal or unusual—do not hesitate to ask us to go over matters with you. The service of Lawrence System field warehousing costs your bank nothing and is adaptable to almost any merchandise account. • Write for booklets describing how your bank can increase its loans through the use of LAWRENCE SYSTEM warehouse receipts

# Lawrence System



CREATING COMMODITY PAPER AGAINST INVENTORY

# BULLETIN

OF THE AMERICAN INSTITUTE OF BANKING

FLOYD W. LARSON . . . . . *Editor*  
ROBERT D. HAMMER . . . . . *Assistant Editor*

\*

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**BANKING**—Published monthly by the American Bankers Association, 22 East 40th Street, New York, N. Y., U. S. A.—\$3.00 per year. Bulletin Section—Published January, April, July, and September.

Vol. XXXIII, No. 3. Copyright 1940. Harold Stonier, Publisher; Editor **BANKING**, William R. Kuhs, Assistant Editors, William P. Bogie and John L. Cooley. Production, August A. Small. Editor A.I.B. BULLETIN Section, Floyd W. Larson; Assistant Editor, Robert D. Hammer. Field Representatives: Alden B. Baxter, Advertising Manager, Prentiss Jackson, Jr., Malcolm Davis, 22 East 40th Street, New York, N. Y.; Robert W. Kneebone, Western Advertising Manager, 230 North Michigan Avenue, Chicago, Ill.; R. J. Birch & Co., San Francisco, Calif.; Stanley Ikerd, Los Angeles, Calif.; Washington Office, Washington Building; Circulation Manager, Robert J. Stiehl. Subscriptions: Both Sections—\$3.00 yearly; Canada \$3.36; Foreign \$3.72; single copies 25 cents. BULLETIN Section to A.I.B. members 75 cents yearly; single copies 25 cents. Entered as second-class matter May 5, 1909, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Additional entry at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this journal.

# TO A.I.B. MEN WHO WANT MORE MONEY...

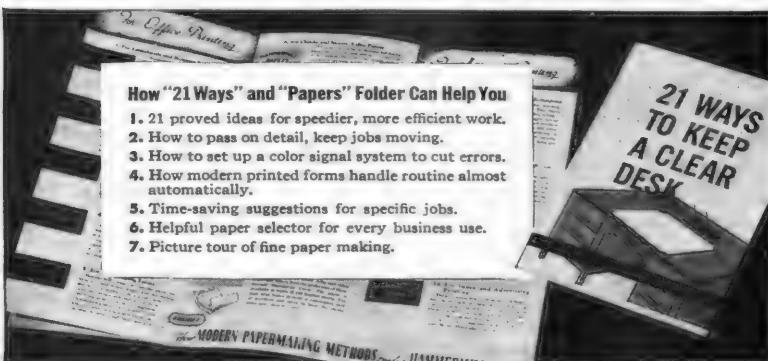
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# Tradition

DR. HAROLD STONIER

THE fortieth anniversary of the American Institute of Banking will be observed by the American Bankers Association at its annual convention in Atlantic City in September. At the convention's first general session former presidents of the A.I.B. and its new National Educational Director, Dr. William A. Irwin, will be presented. It is with a great deal of pride that the A.B.A. will celebrate the Institute's fortieth birthday, for the educational ideals that went into the founding of the A.I.B. and which have served as its guide throughout the years reflect the best traditions of good banking.

Men without courage could never have founded such an organization in adult education forty years ago. While it is comparatively easy to initiate such work now because of its acceptance in educational circles, then it was a different story. At that time universities were condemning adult education as a hopeless task, and many of them were abolishing their extension divisions designed for the education of mature people. In the years following the establishment of the A.I.B., it took great courage to carry on the work when the enthusiasm incident to its founding wore away, and consistent effort was required to carry on the program.

Men without ideals could not have founded the A.I.B. nor carried its burdens throughout the years. A.I.B. work demands time, energy, and thought. Men without high purpose would not have given their interest without financial remuneration. Such men would have had no capacity to picture a better banking structure through education. Men without hope could not have founded the A.I.B., nor could they have built it through the trying years of this past generation. The panic of 1907, the World War, the great depression of 1929 might all have been death blows to the Institute if hope had been lacking. Men without hope always discover a barrier between them and their needs.

It is hope, together with faith, that will enable America to meet the demands of the present and of the future. These same qualities are deeply rooted in A.I.B. tradition, and because of them the Institute will go forward through the years fulfilling its dual task of helping its students to help themselves and of creating a better banking world.

# BULLETIN

## OF THE AMERICAN INSTITUTE OF BANKING

SEPTEMBER 1940



Robert M. Hanes,  
President, American  
Bankers Association



J. L. Dart, President,  
American Institute  
of Banking

## LEADERSHIP

### ROBERT M. HANES

**B**ASICALLY, the American Bankers Association is an educational organization. Its fundamental job is to act as a clearing house for information and ideas on banking, to discover and disseminate knowledge on the developments in banking, and to provide educational facilities by means of which the level of banking intelligence and the quality of bank management may be continuously improved. Education in the banking process is fundamental to any program looking to improved and modernized banking. The American Institute of Banking, with its 385 chapters, chapter branches, and study groups, plays an important role in carrying out this program.

**W**E ARE now in a period which may see greater changes than any other period in our lifetime. No one can foresee just what direction they will take. One essential way in which to prepare to meet uncertainty is to make ourselves strong. The first step in the process of building our strength is to understand our institutions. There may be strains ahead. Attempts may be made to change the character of our credit system. The way to forestall them is to make our banking system as strong and serviceable as we can. Each bank is a link in the chain of

*(Continued on next page)*

### J. L. DART

**P**RESIDENT Hanes has thrown us a mighty challenge! He has charged us with the responsibility of developing men to give guidance and leadership not only for the American Bankers Association but for the American banking system as well. We are prepared to meet this challenge! To do so we must enlist the enthusiastic support of every A.I.B. member behind our program to improve and develop the work of the A.I.B. and the equally essential task of establishing closer cooperation and coordination with the various sections of the American Bankers Association.

The A.I.B. meets the challenge of educating for leadership by a most comprehensive educational program, unique in the field of business. For the young man or woman entering upon a banking career the Institute's eight courses leading to the Standard Certificate give a working knowledge of "what it's all about." In learning the fundamentals of bank organization and operation, law, economics, and accounting, students can equip themselves to perform in a highly creditable and satisfactory manner the exacting duties of their daily work. For the ambitious individual who desires to prepare himself for larger responsibilities, the Institute offers in its graduate group of courses such

*(Continued on next page)*

## HANES—Continued

the system. Each bank therefore has an obligation to practice more scientific management.

It is gratifying to see that bankers are not confining their educational activities to just one aspect of their business. Today the educational facilities of organized banking are being utilized more fully than ever. That is as it should be. We shall need all the education we can get in the days ahead, for we are living through one of the great turning points of human history. It is difficult to realize this. Momentous events of the past, comparable to those we are witnessing now, are compressed into a few pages of the history books we read even though they may have been spread over a long period of years. They stand out in our memories merely as mileposts reached and passed, much in the manner as are those mileposts we pass along the railroad right-of-way. We do not realize that they were the result of long-gathering and accumulating forces.

In the business of banking there are so many old principles that must be learned again with renewed emphasis, there are so many improvements in methods and systems, there are so many new laws and regulations to be digested that the learning and knowing process becomes a continuing necessity. The banker who is not constantly growing in knowledge of his bank, who is not keeping pace with progress, who is not preparing to meet ever increasing standards of professional requirement in this specialized business, will not meet today's challenge in banking. No greater cause exists for faith in the future of chartered banking than the increased emphasis on education of bankers. At no time have bankers been more devoted to the quest for broad knowledge and new techniques.

Both the American Bankers Association and the American Institute of Banking are striving for better banking in America. We can attain our objective if we work shoulder to shoulder in furnishing leadership for the program of the future. I have been much impressed with the work of the American Institute of Banking. It is taking unseasoned employees and developing them into prospective officers. The American Institute of Banking is building efficient and qualified bank personnel to take charge of our banks.

I am hoping that this is the dawn of better and more complete understanding and cooperation between the American Institute of Banking and the American Bankers Association, to the end that these two great organizations together can build a banking structure in America that will stand any stress or storms that may come. The officers of the American Bankers Association are all enthusiastic supporters of the American Institute of Banking. I am honest when I say that the whole future of the American Bankers Association rests with the American Institute of Banking. It is the men you develop who will be leaders in banking and banking thought and banking practices. In fact, the whole future of banking in America rests with the American Institute of Banking. It is building sound, intelligent bank personnel to provide the constructive leadership banking will need if it is to continue going forward.

## DART—Continued

subjects as Bank Administration, Credit Administration, Corporation Finance and Investments—studies in which every bank executive has a keen interest. To augment its curriculum the Institute provides facilities whereby its members may receive training in the art of public speaking and debating. Through participation in the administration of local chapters of the Institute and of its affairs nationally, opportunities are provided for the development of qualities of leadership. Chances for participation in social activities provided by the average chapter will, together with having a part in the other activities and studies enumerated above, provide a well rounded banking education, and education after all is a way of life.

WE KNOW that the Institute graduates and the senior officers of the banks of the country will welcome the opportunity to continue their active association with the Institute and to keep themselves informed on current banking problems and subjects of timely interest through participation in regular open forum and seminar discussion groups. To permit their doing so, the National Forum and Seminar Committee will cooperate with the local chapter's chairman or educational committee in sponsoring such educational programs. By using the pamphlets published by the Bank Management Commission of the American Bankers Association and the studies of the Association's Research Council as subjects for discussion by groups of Institute graduates and senior officers, much valuable information, as well as personal thought and opinions, can be obtained in connection with current banking problems to the obvious advantage of all participating. Problems of taxation and government and industry studies will likewise have their sectional appeal and should prove worthwhile.

A complete understanding of the mutual problems and policies of the American Bankers Association and the American Institute of Banking must precede cooperation and confidence. To this end the Institute has enlarged the scope and effectiveness of its public relations program. Through the coordinating of its efforts with those of the American Bankers Association and of the state bankers' associations many opportunities are now available for the Institute graduate and the senior officer to participate in this most important work.

Further means of enlightenment and cooperation with the American Bankers Association in its new and enlarged program of education and research are afforded by participation in the activities of the Institute's newly appointed Research Committee. This committee is prepared to work with and assist the Research Council of the A.B.A. in compiling data from which conclusions may be drawn and disseminated for the benefit of all.

Thus we believe that the Institute now is better equipped than ever before in its history to serve the cause of banking education. With the full realization, however, that change is constant and rapid, the Institute will be ever alert and will exert every effort to provide the facilities whereby its members may have available the best educational opportunities sound and considered thinking can provide.

# The Industry Study

## *Modernizing an Educational Activity*

A. F. WAGELE

*Mr. Wagele, who is assistant cashier of the Fulton-Fresno Branch of the Bank of America National Trust and Savings Association, was chairman of the educational committee of Central San Joaquin Valley Chapter, A.I.B. at the time of the industry study.*

**A** NEW activity which has proved most successful and appears to possess interesting possibilities for American Institute of Banking chapters throughout the country was added last year to the educational program of Central San Joaquin Valley Chapter in California.

The aim of the industry study, as it has been called, is to investigate a chosen industry thoroughly in all its phases from raw material to finished product, to examine its organization, to observe its operation, and to consider its problems. The key points of the industry are visited in a series of plant visitations following the progress of the product of the industry. This study is supplemented by a series of forum meetings addressed by speakers prominent in various fields of the industry.

Perhaps the industry study ought not to be called a new activity since it is simply an expanded plant visitation augmented by a program of forum discussion. Individual plant visits have long been familiar items in the educational programs of A.I.B. chapters. Central San Joaquin Valley Chapter has conducted them for many years with unquestioned benefits. They have been educational to participating members and valuable in promoting constructive customer relations.

The plan to increase the usefulness of the plant visit was conceived in Fresno last fall at an informal meeting of chapter officers with Harry R. Smith, then national president of the American Institute of Banking. It was felt that the plant visit and forum could be combined and applied to a larger field than heretofore attempted. A review of suitable subjects for analysis was made and the cotton industry of the San Joaquin Valley chosen as the subject of the chapter's first experiment. Cotton was selected because of its importance, economically and financially, to the territory served by our banks and because of its appeal to chapter members. In addition, the variety of processes through which it passes makes it ideal for the type of study planned.

The cotton industry study was carried out during the 1939-1940 cotton season with great success. The producers and processors approached were found to be quite as enthusiastic toward the project as the chapter itself. Company officials were pleased to find the banking group interested in their work and cooperated to the fullest extent toward the success of the plan.

The study was begun during the harvest season with a visit to a large and well equipped cotton farm. There the modest source of the great cotton industry was examined with an eye to its requirements and operation. The chapter group then visited a local gin of the Anderson Clayton Company where the ginning, baling, and classing of cotton were observed. The gin manager escorted the party and explained the entire operation of

That's a wad of cotton being shown to some of the chapter members who visited a local cotton plant. The author of the article (hat in hand) stands at the extreme right.



his plant. He touched upon the production of cotton and its market, the value of various classes and staple lengths, the mechanics of the ginning process, the uses of the cotton seed, and the problems of grower financing.

Later the local Valley Compress Company plant was visited. There the group witnessed the weighing, sampling, and identification of cotton. It also watched the compressing of cotton in preparation for shipment to foreign and domestic mills and inspected the warehousing of government loan cotton. There, also, more was learned of the markets for California cotton and the efforts of the Commodity Credit Corporation to stabilize its price. Finally the chapter group inspected the Fresno plant of the Producers Cotton Oil Company where it observed the breaking down of cotton seed into an astonishing number of by-products, chief of which are cotton seed oil and a live stock food called cotton seed meal.

To complete the industry study, the chapter forum program was planned to supplement the visits to the key points in the cotton industry. Informed speakers, prominent in cotton growing and marketing, were asked to discuss developments, prospects, and problems of the cotton business before forum gatherings.

At one such meeting, Harry S. Baker, president of the Producers Cotton Oil Company, outlined the history of cotton production in California, explained the cotton parity and soil conservation programs of the Federal Government and discussed the problems of cotton financing. Each of these topics was intensely interesting and instructive to the attending bankers who had many cotton growing customers.

A very timely discussion of farm labor problems was presented by Frank J. Palomares, manager of the

San Joaquin Valley Labor Bureau. He recounted the history of cotton labor in California and discussed the state's pressing migratory labor question.

As a result of this complete study it is the opinion of Central San Joaquin Valley Chapter that participating members obtained a knowledge of a vital industry of the community and henceforth those members will be better informed citizens as well as more intelligent bankers. For those reasons the experiment is considered merely the beginning of a campaign to investigate closely all the important industries of the chapter's territory.

Preparations are now being made for the second project—the grape industry study. For many years the San Joaquin Valley has produced the nation's table grapes, raisins, California wines, and brandy. From beginning to end this great enterprise will be examined by chapter groups by means of plant visits and forum sessions conducted by leaders of the grape and wine industries.

The experience and plans of Central San Joaquin Valley Chapter have been outlined in some detail in the hope of prompting other chapters to undertake similar projects. The industry study is susceptible to a great variety of applications. It is difficult to imagine a chapter so situated that no important industry would be available to it. Central San Joaquin Valley Chapter has concentrated upon farming industries only because of its location in a farming community. Chapters in large cities and industrial regions could include manufacturing and transportation industries.

The industry study fits perfectly into a chapter's educational program since it furthers the aim of the American Institute of Banking to help its members help themselves and assists them to serve their community more intelligently and more effectively.

Concentrating on the cotton problem at a chapter forum session



# The Second Forty Years

DR. WILLIAM A. IRWIN

DURING this year many of us have been looking back over the past forty years and reviewing the history of the American Institute of Banking. We have recalled its humble beginnings, its remarkable growth, and its splendid achievements in the training and education of bankers. At the annual convention in Boston we honored many of its past national presidents; and in September at Atlantic City, during the convention of the American Bankers Association, the parent organization will take still further notice of the fact that the Institute is forty years old.

The American Institute of Bank Clerks started with a very limited curriculum. Three courses of study covered the subjects of Practical Banking, Commercial Law, and Political Economy. But from this foundation was evolved the present plan of the educational work of the Institute. From a circumscribed beginning the curriculum has steadily expanded—especially in recent years—until it now encompasses a wider range of subjects than ever before.

THE record of the American Institute of Banking is one of which we may all be proud—not only those who have been instrumental in making that record but also those who are merely the beneficiaries of the Institute's accomplishments. Yet past accomplishments must not make us smug or indolent. No institution may safely rely on its past doings to carry it forward. Times change; methods and standards change with them; and however much we may take pride in what we have done, we must not forget that the days ahead always beckon us to do still greater things. What, then, of the second forty years?

There are those who profess to believe that the Institute can never again reach its past high peaks of membership and of class enrolments. They point to the shrinkage in the number of banking institutions as one of the evidences in support of this opinion and to the decline in the number of bank employees as still another. But they forget that while there are only about half as many banks in operation as formerly and probably several thousand fewer employees, yet both membership and class enrolments in the Institute have recently reached the second highest totals in its history. They forget, also, that these recent totals of both membership and enrolment probably represent a greater percentage



Dr. Irwin, National Educational Director, American Institute of Banking

of bank employees than did the figures of any past period. There would seem, therefore, to be little justification for the opinion of these pessimists. The second forty years may easily excel the first forty in respect to both of these features.

Again, there are those who profess to be discouraged or even appalled by the prospect of economic change as well as by its present manifestations. They see that the system of free enterprise is being circumscribed today and think they foresee not only still greater transformations in economic organization but even the complete domination of business activity by government through some form of totalitarianism.

LET us suppose that such a thing may "happen here." Does this necessarily lead to the inevitable conclusion that trained brains will not then be needed? Far from it! Indeed, the record of history itself forbids such a conclusion. The fact is—and the example is an extreme one—that even Bolshevik Russia, after her economic revolution, discovered that she had to have such brains, and she hired them from America at fabulous salaries payable in gold. Colonel Cooper, who installed electric plants in Russia, and many other Americans similarly hired are the tangible human evidences against such a conclusion.

No modern economy can possibly function without using every trained talent upon which it can draw. And, it may confidently be added, no modern economy under any form of political organization can operate smoothly without a well organized, efficiently operated banking system. Furthermore, such a banking system cannot even exist, much less can it be operated, unless there is a skilled, trained personnel available to carry on its operations and to fill its positions of administrative and executive responsibility.

It may well be that drastic changes do lie ahead. Indeed, it would be unusual to have forty years of activity without some changes in prospect. But there were drastic changes in the past forty years, and the leadership of the Institute had both the courage and the intelligence to meet them as well as to adapt policies and practices to them. This generation of bank men and women will do no less. The first forty years provide us a record of real achievement. The second forty years constitute a challenge. We can meet it, and we shall! Let us dedicate ourselves to the task.

# Education for Public Relations

ALDEN E. DAVIS

*The author is professor of economics in the School of Commerce at Notre Dame University and has instructed a number of courses in the St. Joseph Michigan Study Group.*

BEHIND every bank's management there lies a desire to enjoy the confidence and respect of the community in which it lives. Without this there can be no expectation of attaining the economic justification of such an institution, which is profitable operation. What is written here is intended to show how a particular bank, The Peoples State Bank of St. Joseph, Michigan, accomplished these ends by pursuing an educational program beginning with directors and officers, continuing through its entire staff of employees, and extending even to its customers. Of course, there is nothing novel about a bank's encouraging its employees to study; the work of the American Institute of Banking in offering courses designed to disseminate better knowledge among bank employees is too well known to need recounting. But the effectiveness of The Peoples State Bank of St. Joseph in applying the benefits of such study courses to the upbuilding of the institution holds a valuable lesson for bank management everywhere.

This bank began business in January 1932, in a community that had been deprived entirely of banking facilities because of the failure of two former institutions. Those responsible for the institution's welfare discerned clearly that to restore lost faith it would be necessary to adopt policies which bespoke sound management. The remaining element would be some program to make these policies felt by the community. This was accomplished through staff training along lines shortly to be described. To enlist the unanimous support of employees in the training courses, the president, cashier, and assistant cashier were the first to enroll as students. This beginning group, including the officers, received their American Institute of Banking Standard Certificates last April and are planning to start their Graduate courses this Fall. A second group which started after this group will receive Pre-Standard Certificates in 1941. A third group has been started and will complete the courses required for the Pre-Standard Certificate a year later.

THERE are several basic ideas regarding bank training that have crystallized in carrying on this program. These ideas, if appreciated, might well serve to inspire other bankers to undertake similar programs. To begin with, banking laws will always hold second place to better bankers as the most important means of improving banking practice. History demonstrates that sound banking practice precedes rather than follows crystallization in the form of law. Viewed from this angle, what the law really does is to separate sound from unsound methods and to give weight of authority to the former.

Just passing a law does not improve practice unless such law derives out of sound, tried experience. Here lies a cue to the need for an intelligent program of education within a bank's own domain.

A second basic idea in support of bank education of a more intensive nature is that the kind of intelligence necessary to successful banking must be cultivated. Sound practice cannot be legislated, nor can it come about by following even the strictest rules. It must be built up anew in each generation by a consciously undertaken program of specific training in technique and principles.

A third basic idea in the St. Joseph training program is that directors and officers must show interest in the bank's educational program in order to inspire employees to show full cooperation in the opportunities offered them. The desired effect can be accomplished by the attendance of directors at some of the outstanding meetings of various classes. For example, in the St. Joseph program one of the regular classes in bank management was devoted to a practical consideration of the various kinds of insurance carried by the institution. Several directors attended this meeting, and all officers were present. The members of the class had previously devoted a two-hour session to the study of bank insurance under their regular instructor, so they were prepared to take up an analysis of the institution's own protection policies. An expert on insurance from a nationally known company was invited to analyze policies of the bank in the light of careful standards outlined in the class program.

MEETINGS of this kind are valuable because they focus the attention of management and employees on so many angles of the bank's problems; and a by-product of such discussions is the understanding that comes about by better appreciation of certain practices within the bank. Once the standpoint of the management becomes clear to the staff, appreciation is bound to follow. With even one or two officers present in a class it is possible for actual case material to be discussed, and in this way principles and practice meet on common ground.

Without going into detail as to courses covered in the St. Joseph Study Group, a few words might be said of the instruction. Thus far leading local attorneys have been drawn upon to instruct in law, and professors from the University of Notre Dame have given courses in the various branches of economics. Active bank operating officers were the instructors for the technical banking courses. Even though the group is small, it has proved more worthwhile for the bank to spend money on this kind of development than on ordinary forms of advertising. Besides the regular program of classes, numerous specialists have addressed these classes. Representatives of large New York and Chicago banks and investment



Above, bank directors, with bank president and other members of the study group, in a classroom session. Below, right, advertisement issued upon graduation of some of above group

institutions have also contributed to making classes more practical when they have been invited to participate in regular meetings. It takes but little effort to arrange such interesting meetings, because these representatives are pleased to compare experiences when they come to visit small community banks.

THE value of such contacts is not limited to members of the class. It does not take long for the word to go around that a bank is carrying on an interesting program to fortify its staff with better knowledge. Depositors and the public in general learn from families and friends of employees that the bank is doing something tangible to educate its staff. This is a sound kind of advertising. One result has been that high schools cooperate by recommending their finest graduates for positions. Publicity of dinner meetings and educational trips to surrounding cities where group meetings are attended reflect favorably upon the bank. A trip to Chicago where the Federal Reserve Bank or a correspondent institution is studied helps to create esprit de corps among the staff and wins respect from customers who read about it.

While it would be less suitable for large city banks to depend upon an educational program for their publicity, it would appear that in small and medium sized communities there is no better way to cultivate good will and understanding. The future of chartered banking depends upon improved banking practices, and it follows clearly that the future practices depend upon better informed, more intelligent bankers. For this reason banks should renew and intensify their interest in improving the training of their staffs. Only in this way will future banking be conducted upon sound lines.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

**Congratulations  
to the Graduates  
of the A. I. B.**

Tonight the American Institute of Banking will present Standard Certificates to six employees of The Peoples State Bank for successfully completing courses of study in the theory and practice of banking.

The graduates have won their certificates by regular attendance at evening classes throughout the winter months for the past eight years. In giving up their leisure hours for this purpose, they have demonstrated their determination to become

Better Bankers  
To Serve You Better

At the same time, they have shown their faith in the future of this section and their confident belief that America is still the land of opportunity for people who are prepared.

The Peoples State Bank takes particular pleasure in congratulating every member of the graduating class.

*The*  
**PEOPLES STATE BANK**  
*of St. Joseph, Michigan*  
THE BANK THAT HAS ONLY SERVICE TO SELL.

# Chapter Holds Equipment Show

## *St. Louis Inaugurates Exhibit for Bank Employees*

E. C. E. STONE III

*Mr. STONE is chairman of the publicity committee of St. Louis Chapter and is connected with the Mercantile-Commerce National Bank, St. Louis, Missouri.*

PICTURE the hustle and bustle of an old-fashioned county fair . . . with an atmosphere of friendly meetings between old friends—couple it with the modern miracle of new ideas and you have the description of something new in exhibits. Of course, there have been exhibits of bank machines before. You have seen them at regional conferences, at national conventions, in the showrooms of your local dealer; exhibits designed to acquaint bankers, as prospective customers, with the newest types of equipment, but how much do bank employees, the men and women who operate machines daily, know of the latest methods and newest types of equipment?

This exhibit, sponsored by St. Louis Chapter, A.I.B., was designed for employees, rather than officers; for the operators, rather than the buyers. It is the first time, we believe, that such an exhibit has been held, designed primarily to acquaint A.I.B. students and bank employees with the latest machines and methods of bank operations.

THE exhibit consisted of more than seventeen different types of bank machines. Located on the second floor of the Merchants-Laclede Building, only a floor below the St. Louis classrooms, the display rooms resembled a bank in its daily operations and were designed to present the complete picture of just what happened to a check from the time the customer made his deposit at the teller's window until the maker received it in his monthly statement. Featured in the exhibit were the machines of Burroughs, International Business Machines, National Cash Register, Recordak, and Remington-Rand, Inc.

All in all, the exhibit proved to be a great success in helping students who used various machines in their daily work but were not familiar with the latest types of equipment, as well as others who had not had the opportunity of working in different departments and whose knowledge was confined to the operations of one or two departments. Then, too, it added a practical demonstration to supplement the knowledge gained in classroom work. The modus operandi was quite simple; under the direction of faculty members, bank officers, and department heads, each class was conducted through the course in machine operations, in lieu of the regular class



**Miss June Connors, St. Louis Chapter member, learning how to operate new proof unit**

session. It took about an hour to cover the exhibit, and methods of operation were explained by the manufacturers' representatives. Approximately 800 people visited the exhibit, 500 of whom were A.I.B. students. Many of the latter were sufficiently interested to return two or three times, and some of them learned to operate various machines on display. An adding machine contest was featured one evening.

W. L. Gregory, vice-president, Plaza Bank, St. Louis, in summarizing the value of the exhibit, said, "The bank machines exhibit was successful from the point of view of all parties concerned. Students in the A.I.B. were definitely benefited by a chance to see the actual machines which were mentioned in class work in operation. The task of the instructor was thereby made easier.

"Bank people generally, and particularly busy operating officers, were given an excellent opportunity to compare the merits of the respective machines and to pass judgment on whether or not a particular machine would assist the work in a given bank. The machine men were very well satisfied with the plan because it gave them a chance to demonstrate their merchandise, not only to persons who might become buyers immediately but to the bank personnel that will become buyers in the future.

"This exhibit was given to create interest among the students. It has done that and much more. In our opinion it was one of the most successful efforts to improve the effectiveness of our educational program."

# Inflation

JOHN H. KOHLER, *Investment Management Department, City Bank Farmers Trust Company, New York, New York, was the leader of the symposium on Inflation held during the Investments and Investment Banking Conference at the Boston Convention. Participants were Dr. WILLIAM A. IRWIN, National Educational Director, American Institute of Banking; HENRY W. DUNN, Professor of Finance, Harvard University; and WOODLIEF THOMAS, Assistant Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System. The following is a summary of the discussion at the symposium.*

**I**NFLATION, the kind which interests us and arouses our fears, is a very rapid rise in the general price level. In other words, it constitutes a situation where the value of practically everything, as measured in the terms of money, goes up. That is somewhat like the saying about our friend Private Knocknee—everybody in the company is out of step with him. It would be easier to say that Private Knocknee is out of step with the rest of the company. In the same way it is far easier to think of inflation not as a rise in the price of hundreds of things, such as shoes, bread, rent, and gasoline, but, more simply, as a decline in the value of one thing, namely, money.

Now money is in some respects like any other commodity; that is to say, its value or purchasing power depends upon the relationship between supply and demand. If we are to have radical inflation, that is, a sharp decline in the value or purchasing power of money, it will come because either the demand for money decreases or the supply of money increases, or both.

The best minds that discuss inflation appear to encounter some difficulty in considering the demand phase of money. But, in general, they seem to feel that the demand for money is fairly steady because money normally represents a known and relatively steady purchasing power for all the goods or services that the holder of money may want to buy. Thus, the only time the demand for money changes very radically, occurs when, because of an important increase in the quantity of money, unaccompanied by an increase in available goods and services, the purchasing power of money begins to decline. At such times a declining demand for money is likely to accentuate the inflationary effect of an increasing supply. But the real cause of the inflation is the increase in the supply. For that reason, the present supply or quantity of money and prospective increases in the supply of money become very important things to study if one is going to discuss and understand inflation.

**I**F WE begin by saying that the total volume of money in the United States is the sum of currency other than that held by the commercial banks, plus commercial bank deposits owned by individuals, corporations, institutions, and foreigners, then we can evaluate the present volume of money at about \$65 billion. The next

question is: What is happening and what is going to happen to this supply? Is it going to increase and if so, how rapidly?

There are four principal methods by which the supply of money is increased in this country:

1. An expansion of the Treasury's holdings of gold or silver
2. An expansion in the Treasury's issue of unsecured currency
3. An expansion of the Federal Reserve banks' holdings of securities
4. An expansion of commercial banks' credit operations:
  - a. Through the extension of loans,
  - b. Through the purchase of government or other securities.

These four methods can really be further simplified under two broad headings:

A. Those methods which are put into operation by the Federal Government, either in buying gold or silver (Item 1 above), in printing unsecured currency (Item 2), in expanding the Federal Reserve banks' holdings of government securities (Item 3), and in selling government bonds to commercial banks (part of Item 4b).

B. Those methods which are put in operation by private interests (all interests other than the Federal Government), either through the extension of bank loans (Item 4a) or through the sale of securities other than government securities to the commercial banks (part of Item 4b).

**G**ENERALLY speaking, we do not very greatly fear inflation caused by private business operations. We had a touch of that back in the late 20's and while it may have had rather disastrous effects, most of us would nevertheless like to see a little of it take hold at the present time. It is the inflation set in motion by government operations that we most fear, and perhaps rightly so. In the present instance, however, there are several points which might be made in connection with the government's prospective actions.

In the first place, the Government's purchases of gold and silver are of course limited by the amounts of gold and silver available. But more particularly, these purchases of gold and silver are usually considered to provide additional base and additional solidarity to the monetary system. Thus, while they do increase the supply of money, nevertheless they have not proved particularly inflationary in the past few years; it might be argued that in all probability they will not prove particularly inflationary in the years to come.

The ability of the Government to increase the quantity of money either by printing currency or by the sale of government bonds to the Federal Reserve banks or to commercial banks is the phase of the Government's activity of which we are most fearful when we consider

inflation. It must be remembered, however, that the Government's ability along this line is also quite definitely limited; it is limited by the amount which the Government's current expenditures exceed its current receipts. If the Government has an annual deficit of only \$3 billion, then the most that the Government can do to our \$65 billion of total money is to cause it to increase to about \$68 billion in the course of a year. In practice, furthermore, the increase in total money would probably be somewhat less than the Government's deficit. This holds true because, fortunately, a sizable portion of the Government deficit is likely to be financed not by printing currency and by the sale of bonds to banks but by the sale of bonds to the American public, practically without inflationary effect.

Thus it is that the inflation trend can be rather well measured in terms of the outlook for the Government deficit. If we think of our Government in the operation either of relief rolls or huge rearmament programs as likely to spend \$10, \$15, \$20, or \$50 billion yearly more than it receives in taxation, then we can be afraid of the effects of these expenditures upon our monetary system and upon the value or purchasing power of our money. If, on the other hand, we feel that the Government's deficit is likely to be kept within the bounds of \$2, \$3, \$4, or \$5 billion, then the effect of this deficit upon the quantity of money in this country and upon the value or purchasing power of this money will, in all probability, not be very great.

This final point concerning the effect of Government deficits upon the value of money is given some confirmation by American and European inflations during and shortly after the World War of 1914-1918. Very roughly speaking, the United States had a 100 per cent inflation and its annual rate of deficit for a short period of time was measurable at about half of the total quan-

tity of money. Great Britain had an inflation of about 150 per cent and its deficit every year for several years was approximately equal to the amount of money in the country. France had an inflation of about 250 per cent, which apparently resulted from the fact that every year for several years the annual deficit was considerably greater than the total quantity of money in the country. Finally, Germany had an inflation which might be characterized as infinite. It occurred probably as a result of the fact that every year for several years Germany's deficit was about twice the total quantity of money in the country. When our deficit becomes 25, 50, or 100 per cent of the \$65 billion of money that we have in this country, then we can all be afraid of radical inflation. As long, however, as the deficit remains in the neighborhood of \$2, \$3, \$4, or \$5 billion (less than 10 per cent of the total quantity of money), we should not become aroused about the terrors of inflation. As yet we still have large quantities of supplies on hand, great natural resources, and a huge industrial machine capable of manufacturing and turning out a quantity of products far in excess of current demand.

Of course, we cannot complacently overlook the large increase in our Federal direct and guaranteed debt. Furthermore, while it is true that the expansion of our monetary system, that is to say the increase brought about by the purchases of Government securities by commercial banks, has not, up to the present time, brought about the inflationary evils envisioned by many commentators, nevertheless, there are potential inflationary possibilities to the extent that the private holdings of Government obligations may some day be sold to the commercial banks or offered as collateral for loans. In either instance it will have the effect of increasing private deposits, thereby adding to the huge volume of money now outstanding.

### Scenes from Chapter Officers' Conferences

Participants of the Sixth Annual Southern California Chapter Officers' Conference in Los Angeles relaxing after a day of discussions and speeches—and a good dinner



The group which attended the Sixth Southeast Chapter Presidents' Conference was snapped at a serious moment. That's National President Dart in the second row—first man on the left



# Chapter Officers' Conferences

## *Northwest Conference*

ON SATURDAY, July 20, some 27 representatives of Institute chapters in the states of Washington and Oregon gathered in Tacoma to attend the annual Northwest Chapter Officers' Conference. J. H. Gormley, Executive Councilman, presided, and Tacoma Chapter acted as host.

The Northwest Conference was the pioneer in instigating this Institute activity some fifteen years ago. Prior to a year ago, a program of prepared papers on the different Institute activities was always arranged. These presentations were followed by a general discussion. While an effective means of presenting valuable information, it was felt that this method was outmoded.

In 1939 the operation of these conferences on the round table discussion method was started. Our results, as shown by the 1939 and 1940 conferences, lead us to recommend such a program to other conferences.

Our meeting started with breakfast at 8 o'clock followed by a business session lasting from 9 until noon. During the morning considerable time was devoted to the educational and membership problems. At luncheon Mayor Harry Cain of Tacoma spoke.

The afternoon session, which convened shortly after 1 o'clock, was given over to various phases of Institute work not covered during the morning. Particular attention was given to the new publicity program as well as to the seminars. The meeting was adjourned at 5 o'clock with all who attended leaving with the knowledge that they were better equipped to carry through on their year's activities.

The attendance of district members of national committees and Associate Councilmen did much to add to the value of the conference. **J. H. GORMLEY**

## *Harrisburg Conference*

The Second Annual Chapter Officers' Conference for the chapters of Pennsylvania, Delaware, Washington, D. C., and Maryland, was held Saturday, July 13, in Harrisburg. Our purpose was "to afford the officers, members of the boards of governors, and committee chairmen an opportunity to get acquainted and to discuss chapter programs and problems so as to promote more effective administration of chapter affairs and to encourage closer cooperation between local and national committees."

Thirteen of the 15 chapters and study groups in Eastern Pennsylvania were represented, as well as Pittsburgh, Wilmington, and Washington chapters, making a total of 46 in attendance.

After a delightful dinner, served in the Harrisburger Hotel, a very interesting and instructive informal conference, which lasted for 3 hours, was held. John Muhern, immediate past president of Wilmington Chapter, spoke on the promotion of the A.I.B. as it concerned his chapter in particular and smaller chapters in general.

The various national committee members from Eastern Pennsylvania spoke on the activities of their respective committees. Robert Hammer, of the National Office, presented the story of the new promotional and publicity material.

The conference concluded with a round table discussion by the chapter presidents and representatives on their chapter problems. **MACDONALD HEEBNER**

## *Southern California Conference*

The Sixth Annual Southern California Chapter Officers' Conference was held on Saturday, July 27, 1940, with Los Angeles Chapter as host. The afternoon session, devoted to the discussion of special chapter activities, featured reports by national committee members on the work of their respective committees.

A dinner and the consideration of administrative, membership, and educational activities concluded the program. E. W. Bingham, of San Diego Chapter, spoke on the work of the National Membership and Enrolment Committee. His address was supplemented by A. E. Oliver and R. L. Gordon, both of Los Angeles Chapter.

The presence of Erwin V. Holton, Executive Councilman, officers, and committee members of the 11 A.I.B. chapters in the area resulted in a record attendance of 72. Floyd L. Geyer, Associate Councilman, presided at the conference.

An interesting feature was the presentation to Russell C. Lemmon, retiring councilman, of a scroll bearing a signed expression of appreciation for his fruitful efforts to expand Institute activities in California before and while an official in the national organization.

It was evident that the interest and enthusiasm shown reflected the benefit derived by those who attended the Boston Convention. There was every indication that all chapter representatives present looked forward to a successful year in their chapters. **FLOYD L. GEYER**

## *Southeast Conference*

Chapters and study groups in the Southeast met at Jackson, Mississippi, on August 10. The purpose of this Sixth Southeast Chapter Presidents' Conference was threefold: 1. To give executives of the Southeast chapters a meeting place where authorities on chapter work may be heard, where common problems may be discussed, and where lasting friendships may be formed; 2. To encourage closer cooperation between local committees and national committees; and 3. To promote effective administration of chapter affairs in order to contribute to further improvements in bank personnel standards.

J. LeRoy Dart, National President, was the keynoter of the conference and spoke on the general subject of Chapter Administration. Albert E. Jane, member of the National Publicity Committee, spoke on the work of that committee, while Alton P. Barr, as a member of the National Membership and Enrolment Committee,

suggested means by which chapters might add to their ranks. The broad subject of an educational program was discussed by Russ M. Johnson, J. B. Haslam, J. C. Atkins, and Hays E. Bassett.

The afternoon session was devoted to a discussion of public relations, forum and seminar, public speaking, and debate activities, and the work of the Women's Committee. Various members of the respective national committees participated, including Albert L. Long, C. N. Ramsey, Alex Lindholm, and Miss Reba Raney.

Those in attendance extended a vote of appreciation to their host, Jackson Chapter, for a most interesting and enjoyable conference.

### *Cleveland Conference*

More than 150 enthusiastic members of A.I.B. chapters in Ohio and Michigan attended the Fourth District Chapter Officers' Conference held at the Hotel Statler in Cleveland on August 16 and 17.

The conference was formally opened on Friday evening with a dinner meeting, presided over by William C. Way, newly elected member of the National Executive Council. Following the welcoming speech, given by C. E. Wood, president of Cleveland Chapter, addresses were given by J. D. St. John, president of the Ohio Bankers Association; F. J. Zurlinden, first vice-president, Federal Reserve Bank of Cleveland, and National President J. L. Dart. John D. Arthur led an enlightening discussion on Public Relations.

On Saturday morning, the men and women had separate meetings. Herbert H. Gardner, vice-president, Manufacturers National Bank, Detroit, Michigan, led the discussion on Chapter Educational Programs. Chapter Publicity was the subject of the discussion led by Dayton Chapter's G. Gardner MacGregor, member of the National Publicity Committee, and then Marshall F. Johnson, Columbus Chapter, led the discussion on A Well Balanced Chapter Program.

Florence A. Estep, member of the National Women's Committee, presided at the women's conference in the Tavern Room that morning. Marjorie Shutts, chairman of the women's committee of Cleveland Chapter, gave

the address of welcome. Miss Lillian E. Oakley held the attention of the women with her talk on Horizons Unlimited. Agnes J. Slane, member of the National Women's Committee from Pittsburgh Chapter, spoke on A Program To Serve Women Members.

Organization and Direction of Women's Committees was the title of the talk presented by Helen Hicks, chairman of the women's committee of Detroit Chapter. In conclusion, Dorothy Druckenbrod, vice-chairman of the women's committee of Cleveland Chapter, discussed Development of Interest in Banking Education. The women then adjourned to the general session.

Much of the success of this conference was due to the efforts of the general chairman of this two-day conference, O. A. Kuhl, Jr., retiring president, Cleveland Chapter.

ANNE J. ERSTE

### *New Jersey Conference*

The annual conference of New Jersey chapters was held at Morristown on August 17. The afternoon session was devoted to a discussion of various phases of chapter activities. Subjects that were discussed included Public Speaking, Debate, Selling A.I.B. to the Women in Banking, The Chapter Forum Committee and Its Importance, and The New Conception of A.I.B. Publicity.

The panel discussion on Improving the Work of your Consuls and Round Table Discussions Relative to Chapter Problems featured the afternoon session. Those participating in the program were: Jeremiah J. Maxwell, Mrs. Ethel W. Kuchler, Raymond H. Blair, C. Henry Rahb, Juan D. Sanchez, Joseph G. Williams, Miro Friedrich, Robert D. Hammer, Herman L. Pritchard, Richard N. Berkefeldt, and David V. Barry.

Charles F. Ellery, vice-president, Fidelity Union Trust Co., Newark, and former National President of the Institute, and John J. Roe, vice-president, Hudson City Savings Bank, Jersey City, were speakers following the dinner.

The entire conference was topped off with dancing and entertainment. A record crowd was in attendance with more than 125 representatives from all Chapters in the state.

Northwest Chapter Officers' Conference, Tacoma, Washington



# Building Goodwill for a Bank

*An innovation at the Boston Convention of the American Institute of Banking was the "Information, Please" type of forum on Building Goodwill for a Bank in the Business Development and Advertising Conference. LEWIS F. GORDON, assistant vice-president, The Citizens and Southern National Bank, Atlanta, Georgia, who was the conference leader, has selected the following paragraphs from the discussions of the speakers and the audience at the forum session.*

**B**ANKING arose out of need and has been continued and accepted, in whatever form it took, primarily because of necessity. That is the most dangerous evolution in the world for any kind of a business because it never knows how much acceptance it has on the basis of complete and satisfactory service and how much purely on the basis of necessity. People must have a bank and so they take what we give them. The burden is on our side to make certain that we are giving them every service they need.

\* \* \*

WE ARE ALL prone to view our jobs as circumscribed by the basic work we are hired to do. When we consider public relations we must broaden our horizons. The teller, for example, must realize he is there not merely for the mechanical operation of receiving and delivering money but beyond that to make the customer feel that there never was a bank in which he was more at home, where he received better service, where it was done in a more friendly and courteous manner.

\* \* \*

IN A DISCUSSION which arose about the use of rush-hour depositories, automatic tellers, or whatever you please to call them, a considerable number of those present indicated that they had not generally proven to be acceptable or satisfactory. People preferred to deal with a teller even if it meant waiting in line. In other banks the use was limited to a few people. A number of banks had used and discontinued this service.

\* \* \*

WITH THE INSTALLATION of a new service charge schedule we trained several men carefully and sent them out to call on customers to explain service charges and bank costs. The results have been very gratifying and almost astonishing. We have been able to sell a large percentage of our customers on the idea that we are giving them quality merchandise at a fair price. These men are ready to discuss any kind of bank operations. We find that many people get to thinking about these things and come into the bank to ask officers for further information. We not only give them a thorough explanation but when occasion warrants, we show them different departments and all that goes on behind the scenes. We feel that it has been very much worthwhile.

\* \* \*

TWO OR THREE of our officers spend at least two days out of the bank each week, although at first it was thought that they could not spend an hour away from

their desks. They call on various business firms, telling them that they are not there to sell anything but to pay a friendly visit and incidentally to answer any questions on banking which the firms may have. The result is that we are now having firms all over the city calling us and asking us to discuss their problems with them.

\* \* \*

SINCE THE WOMEN of the country have 34 percent of the wealth and inherit 85 per cent of the billions of dollars of life insurance in force, our bank has provided clubroom facilities for the women. We are conveniently located in the shopping district; the ladies have an excuse to go downtown to hold their meetings in our bank building, which is airconditioned throughout. We find that the women appreciate this. It also builds a great deal of goodwill in our city.

\* \* \*

DURING THE PAST SEASON in considering public relations with our clearing house banks, we have instituted a radio forum. We had officers from the various banks make fifteen-minute talks, in easily understandable language. We explained exactly how each type of bank operated for the public good. These talks were given over Station KYW, one of the Columbia network stations, and it was estimated that two million people listened to them.

\* \* \*

ALONG THE LINES of letting the public know what banks really do for them, we had a motion picture taken to show exactly what happened to a check from the moment it was deposited in the bank. The picture was shown to our directors and officers, as well as to our 50 branch managers. There was so much interest in it that various branch managers told business men about it with the result that various groups in our city are now requesting that the picture be shown at their luncheon meetings.

\* \* \*

THE FOUNDATION AND BEDROCK of all public relations is to be found in sound bank policies. For unless our fundamental policies are sound, our services good, our interest and loan rates and service charges fair, no program is possible. Public relations, in order to operate successfully, must be a continuing part of bank management. The program should benefit not only every member of the bank staff, the depositors, and the borrowers, but the whole community as well. In this way only will it merit public approval.

The bank staff must thoroughly understand the policies and services of their bank; they should be sold on their bank and the way it conducts its business. Only with complete understanding of these policies and services on the part of the staff members will we enlist their enthusiastic support. Public relations must begin at home. Our task is, first, to get our own house in order, and then to enlist the active cooperation of the 266,000 bank employees to carry the story of their banks and banking in general to the public.



The historic First Annual Convention in Cleveland, 1903

# The First Forty Years

## *Highlights of Institute History*

THE Richmond Convention of the American Bankers Association in 1900 adopted the following resolution: ". . . the Executive Council should authorize the Committee on Education to organize an Institute of Bank Clerks for the bank clerks of the United States . . ." By 1901 seven chapters were in operation; the Bulletin had 2,000 subscribers; and a course of study was planned.

The first event of epochal importance in the Institute's history was the First Annual Convention held in Cleveland in 1903. A membership of 6,000 bankers and a total of 24

chapters were reported. The federation of the chapters was discussed.

The Eighth Annual Convention of the A.I.B., held at Chattanooga in 1910, was a creditable climax to a year of phenomenal Institute work. Membership had grown to 10,942; 55 chapters were in existence; and 148 Standard Certificate holders were reported.

By the 1921 convention of the Institute, the figures had advanced remarkably: 44,903 members, 92 chapters, and 3,755 Standard Certificate holders. Dick Hill had

Chattanooga Convention, 1910—"Good fellowship bubbled like carbonated honey and politics boiled like the witches' cauldron, but back of all such evidences of the glad hand and the heated heart was sufficient cold-storage intellectuality to satisfy the militant hosts of the high-brows."

(A.I.B. Bulletin, July 1910)





# Consumer Credit, Personal Loans, and Term Loans

*This digest of audience questions and panel members answers at the round table discussion of the Credit's Conference at the Boston Convention of the American Institute of Banking was prepared by HARRY C. CULSHAW. Mr. CULSHAW, who was leader of the conference, is assistant treasurer of The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia.*

## Consumer Credit, Personal Loans

**AUDIENCE.** *How extensive an investigation do you make in the average credit application?*

**PANEL.** We start with an application blank which calls for references and complete information regarding present and former employment. Our instalment loan department takes that as a basis for its investigation and follows up all references. The head of the department bases his decision on that data.

**AUDIENCE.** *What steps should be taken when a loan is rejected?*

**PANEL.** I believe that personal contact is necessary in almost every case where a loan is rejected. We feel that the person is entitled to his answer, whether it be "yes" or "no," and we further believe that through this medium good will can be built. In most cases when a loan is declined, upon leaving the bank the applicant feels that the reasons are so obvious to him that he is still a friend of the bank. Usually the reason is to be found in a credit report, or the amount of his earnings, or his family life, or in the fact that he has already tied up too much of his weekly or monthly salary. Once that has been explained to him, he is satisfied and possibly may come back at a later date when he has remedied the situation. We try to send them away with the feeling in their minds that even though they are not qualified at present, we shall be happy to talk to them at a later date when, as, and if they have been able to get their house in order. In addition to explaining just what our objections are to the loan, we try to work out a plan for them whereby they may put their house in order.

**AUDIENCE.** *Do you believe that the personal loan business in banks is a permanent adjunct or that it will gradually wane when, as, and if interest rates on commercial loans become more lucrative?*

**PANEL.** I believe the consumer instalment loan activity in our banks is permanent for several reasons. First, because of its profit to the bank. It has very definitely proved most profitable during the past few years at a time when the normal commercial loans were greatly reduced. Secondly, I would say undoubtedly it will continue because of the service that is being rendered to the community.

**AUDIENCE.** *Is it the usual policy for a personal loan*

*department to make loans to people for the purpose of liquidating the obligations which they have incurred with poorer grade finance companies or so-called loan sharks?*

**PANEL.** Yes. These are what banks normally term the consolidation of loans. It is frequently done. I have seen cases in which an individual with loans outstanding involving three or four different finance companies has had these loans consolidated with the bank; thus paying off all other loans and having only one source from which to borrow.

**AUDIENCE.** *What has been the effect on the relationship between banks and finance companies because of banks entering into the instalment finance and small loan business?*

**PANEL.** Our experience has been that most of the finance companies have adjusted their own policies to the new program. For example, one of the largest finance companies in our state has one of its officers spend his entire time soliciting loans from banks which they could not make, such as furniture loans. We have cooperated quite well. In the beginning there was some friction and evidence of antagonism, but this has been entirely dissipated and our relationship now is most cordial.

**AUDIENCE.** *Is it usual to incorporate in the loan agreement a provision to make allowances for varied interest rates based upon the current rate of interest in the money market?*

**PANEL.** It is rather difficult to answer that question, although I can see conditions under which such a consideration could be written into the agreement. Recently I had occasion to discuss this very situation with a banker in our section of the country and he told me that they had drawn an agreement which provided for an increase of the interest rate as time went on. A specified rate was established for the first two years the loan is in effect and then, anticipating increased interest rates, it was provided that the rate should increase at the end of the second year and be again increased the beginning of the fourth year.

**AUDIENCE.** *How much study should be given the matter of interest rates before granting a term loan?*

**PANEL.** That is most important. I believe we have to exhibit a great deal more forethought and anticipation than is normally the case. In the extension of term loans we have a problem that is not always present in the extension of commercial loans. I am sure that most of the banks which we represent have made term loans unintentionally and without loan agreements. We have made a loan for three months and then renewed it for another three months and so on ad infinitum. But where normally you are making a term loan as against a commercial loan there certainly should be a great deal more study made of the interest rate. I think you should definitely be satisfied that the industry is going to remain

on an even keel or perhaps progress if the loan is to run for a period of five years.

AUDIENCE. *I have heard in the discussion reference to loss ratios such as  $\frac{1}{10}$  of one per cent and  $\frac{1}{20}$  of one per cent. Was the loss ratio during the period 1929-1933 considerably higher than is the case today?*

PANEL. Our own institution has been in the small loan business since 1922. Although we have pursued the activity more aggressively during the past five to eight years, I still feel that our experience over this period of time may be indicative of the experience which other institutions have had. I might say also that up until about two-and-a-half years ago all our loans were on a co-maker basis; however, since then 90 per cent of our loans are made without indorsers or co-makers. Our experience as far as bad debt is concerned for the period from 1922 to 1938, during which time we loaned quite a few million dollars, was less than  $\frac{1}{10}$  of one per cent for the period. We are extremely proud of our record because, in spite of the small loss ratio, we believe that we have been most liberal in servicing the customers in our own particular community.

AUDIENCE. *In discussing the diversification of single-name and double-name paper, I was wondering about the diversification of loans to workers in any particular industry, and whether or not trends in certain industries are followed by banks in considering these persons for loans. If, for example, a town is composed principally of automobile workers, whose work is seasonal, do you attempt to limit your loans to the automobile workers over their seasonal periods?*

PANEL. The same rules which would govern the concentration of commercial loans in a single-industry section would certainly apply with equal force, if not more so, to personal loans. It stands to reason, for example, that in Toledo, Ohio, where approximately 85 per cent of industry is directly or indirectly affected by the automotive business, this factor would have to be borne in mind in the extension of personal loans. The neglect to consider such a factor, as far as commercial loans are concerned, has caused more than one bank to close its doors because of the cessation of activity in a particular business. It is certainly imperative for banks located in one-industry localities to look elsewhere for a certain amount of diversification. They should determine for themselves just what percentage of their total deposits they can afford to have invested in small loans, realizing that if and when activity in the particular industry becomes stagnant, they will have frozen loans in their bank.

AUDIENCE. *Is insuring the lives of borrowers a general practice throughout the country?*

PANEL. In our section of the country we find, as a general practice, group insurance coverage for all personal loan borrowers. No additional charge is made to the borrower, but since amortization payments on the loan are really deposited in a budget account on which interest is paid to the borrowers, the cost of insurance is charged against the interest thus paid. We, of course, explain this to our borrowers and find that in no case is there any objection. Our customers, realizing that the amount is negligible, consider that the bank renders them a service in providing this insurance coverage.

## Term Loans

AUDIENCE. *In the granting of term loans, should not emphasis be placed upon earnings and the operating statement rather than upon the balance sheet as disclosing the actual assets and liabilities?*

PANEL. There are at least two reasons why I believe you are correct. One is that your loan may be made, at least partially, to supply working capital. You may have an industry which has good management but which, because of conditions beyond its control, has had a very sharp shrinkage in its working capital. Nevertheless, you may feel that this particular business has a future and on this basis you are willing to make a term loan to help supply or supplement the company's working capital. In such a case there would not be sufficient quick assets which could be reasonably converted into cash to liquidate your loan. You would have to depend upon future earnings or upon the savings which could be effected because of the larger amount of capital with which to work. In the second place, you have a loan which covers a period of years. Certainly none of us can look forward and be at all sure of what the balance sheet position of the business may be five years hence, so that in either case you are dependent upon earnings for the repayment of the loan rather than upon the liquidation of current assets. Actually, in making your analysis, you depend more upon the operating statements than upon the actual balance sheet. Because you are going to depend upon future earnings for the repayment of the loan, you will have particular interest in what earnings have been in the past. I believe it is wise to study the operating figures for a number of years back.

AUDIENCE. *What has been the average length of time for term loans?*

PANEL. Usually about five years. However, a bank's participation in the term loan field is based, to a great extent, upon the availability of loans in the section in which the bank is operating. The term loan can in no sense be classified as a liquid asset—a liquid loan. It is true that the loans may be used as collateral in the Federal Reserve bank, but as a matter of fact they are not in reality liquid loans. Before a bank participates actively in the term loan field it should make a survey of its own capital structure and secondary reserve position. A bank with a large cash position, large amount of short-term Government bonds, relatively few loans of this particular type, and perhaps a negligible number of small real estate loans should, in my opinion, seek term loans.

AUDIENCE. *Do you believe there should be a relationship between the amounts that a bank will permit to be invested in term loans as against its capital structure or its deposit liability?*

PANEL. Yes. I think every bank must decide for itself to what extent it will go into this type of lending. The nature of the bank's deposits is another factor. For example, a bank should study the relationship between its demand and time deposits, as well as its record of deposit and loan fluctuations from season to season during the year. All these factors must be taken into account before the bank decides what total it may place as a limit or the maximum length of time which its term loans should run.



## Verdelin Enters Insurance Field

The appointment of Henry Verdelin of Minneapolis, Minnesota, as vice-president and manager of real estate of the Mutual Life Insurance Company of New York was announced on July 12, 1940. Mr. Verdelin, who was President of the American Institute of Banking in 1936-1937, was assistant vice-president of the First National Bank and Trust Company, of Minneapolis, with which he had been connected more than 20 years. He has occupied many posts of responsibility, including work on real estate protective and reorganization committees.

Mr. Verdelin has served on the board of governors of Minneapolis Chapter, as a member or chairman of practically every local committee, and as president of the chapter during 1929-1930. Nationally his services have included attendance at 18 A.I.B. conventions and membership on five committees, including the chairmanship of the Chapter Administration Conference and Transportation committees. At the convention in 1931 he was elected a member of the Executive Council; he was elected Vice-president of the A.I.B. at the 1935 convention and President at the 1936 convention.

## Promotions Come to Graduates of A.I.B.

It is said that opportunities make men and wise men make opportunities. The Institute graduates, whose promotions we list in this issue together with their year of graduation and the chapter which conferred their Standard Certificate, are well qualified by training and study for their new posts. They were ready when the opportunities arose; they helped to create those opportunities by their Institute graduation. We are proud of every success achieved by our graduates. They constitute the living proof of the value of A.I.B. training. Our hearty congratulations to all of them!

MILTON A. APPLEBY, Charleston Chapter 1931, has been advanced from loan and discount teller to assistant cashier in the Citizens and Southern National Bank of South Carolina, Charleston, South Carolina.

RUFUS W. BAILEY, Hartford Chapter 1917, is now vice-president and director of the Farmers & Mechanics Savings Bank, Middleton, Connecticut. He retains his previous post of assistant treasurer.

LAWRENCE W. BARRETT, Charleston Chapter 1929, formerly cashier, is now trust officer of the Citizens and Southern National Bank of South Carolina, Charleston, South Carolina.

CHARLES E. BELZ, Baltimore Chapter 1926, is now assistant cashier of the First National Bank, Baltimore, Maryland.

FRED GOETZ, Wisconsin State Chapter 1935, was elevated from vice-president to president of the Citizens State Bank, Cadott, Wisconsin.

J. HORACE HATFIELD, Elizabeth Chapter 1931, was named assistant manager of the Scotch Plains branch of the Westfield Trust Company, Scotch Plains, New Jersey.

C. FLOYD HOES, Cincinnati Chapter 1929, was elected assistant cashier of the Hyde Park office of The Norwood-Hyde Park Bank & Trust Co. He was formerly in charge of the loan desk of the Norwood office.

NEIL M. LESLIE, Tacoma Chapter 1933, in addition to his post of treasurer, now heads the savings department of the Bank of California National Association, Tacoma, Washington.

### NATIONAL FORUM WEEK WILL BE HELD OCTOBER 21-26, 1940

Forum meetings appeal equally to graduates and undergraduates. They are an invaluable means of holding the interest of the senior bankers in your chapter territory.

National observance of Forum Week is the goal of the Institute's Forum and Seminar Committee. Plan now for a forum meeting during the week of October 21.

T. KENNETH MCRAE, Richmond Chapter 1931, was appointed an assistant cashier of the First and Merchants National Bank, Richmond, Virginia.

ROBERT T. MARSH, JR., Richmond Chapter 1927, formerly assistant vice-president, is now vice-president of the First and Merchants National Bank, Richmond, Virginia.

ROWLAND A. MINNIS, Charleston Chapter 1929, was promoted from the post of assistant cashier to that of cashier of the Citizens and Southern National Bank of South Carolina, Charleston, South Carolina.

JAMES H. PENICK, Little Rock Chapter 1928, was elevated from executive vice-president to president of W. B. Worthen Co., Bankers, Little Rock, Arkansas.

FRANCIS POLEN, Indianapolis Chapter 1932, is the new assistant cashier of the Peoples State Bank, Indianapolis, Indiana.

DANIEL T. ROWE, New York Chapter 1917, is now president of Kings Highway Savings Bank, Brooklyn, New York. He was first vice-president of the bank since 1935.

RALPH W. SHERRILL, Tacoma Chapter 1928, heretofore in charge of the credit department, is now assistant manager of the Tacoma Branch of the Bank of California National Association, Tacoma, Washington.

J. W. SPEAS, Atlanta Chapter 1915, is now trust officer as well as vice-president of the First National Bank, Atlanta, Georgia. He has held the latter post since 1936.

JAMES E. THOMPSON, Chicago Chapter 1928, formerly in charge of the credit department, was elected assistant cashier of the Sears-Community State Bank, Chicago, Illinois.

## Correspondence

### Chapter Notice

Notice is hereby given that the annual meeting of the members of Correspondence Chapter, Inc. will be held at the office of the corporation, 16th Floor, 22 East 40th Street, Borough of Manhattan, City and State of New York, on November 25, 1940 at three o'clock in the afternoon, to elect directors, to consider and vote upon the approval and ratification of all of the various acts and proceedings of the Board of Directors since the last annual meeting of members, to consider and vote upon the proposal to change the By-Laws to read as follows:

#### Article I—Members

**SECTION 1. Who Are Members**—In addition to incorporators, the following shall be members of this corporation:

(a) all persons duly enrolled for courses given by or under the supervision of this corporation during the term of their enrolment, which enrolment shall be deemed terminated upon completion of the course or the expiration of two years from date of enrolment, and

(b) all persons occupying the offices of President and Vice President of the American Bankers Association, and President, Vice President, and Secretary of the American Institute of Banking during the term that they occupy such offices.

**SECTION 2. Annual Meeting of Members**—The annual meeting of the members shall be held at the principal office of the corporation in the Borough of Manhattan, City and State of New York, on the fourth Monday in November, at such hour as shall be designated in the notice of meeting.

**SECTION 3. Special Meetings of Members**—Special meetings of members may be called at any time by the President or a majority of the Board of Directors.

**SECTION 4. Notices of Meetings**—Notice of annual meetings shall be mailed by the Secretary to each member at least ten days before the date of meeting. Notice of special meetings shall be mailed to each member at least five days before the date of meeting and such notice shall set forth the business to be transacted at such meeting.

**SECTION 5. Quorum**—At all meetings of members one-third of the members present in person or by proxy shall, unless one-third be nine or more, in which case nine members present in person or proxy shall, constitute a quorum.

#### Article II—Board of Directors

**SECTION 1. Number and Term of Directors**—The business, property, and affairs of this corporation shall be managed by a board of directors composed of five persons who need not be members of this corpora-

tion. One of said five directors shall be the person who for the time being occupies the office of Vice President of the American Bankers Association; one shall be the person who for the time being occupies the office of President of the American Institute of Banking; and the other three directors shall be elected by the members and shall hold office for the term of three years and until their successors are elected and qualify.

**SECTION 2. Annual Meeting of Directors**—The annual meeting of the Board of Directors shall be held at the same place as the mid-year meeting of the Executive Council of the American Institute of Banking and at such time as may be designated in the notice of the meeting.

**SECTION 3. Special Meetings of Directors**—Special meetings of the Board of Directors may be called by the President or any two directors upon five days' written notice.

**SECTION 4. Place of Meetings and Quorum**—All meetings of the directors may be held within or without the state, and at all meetings a majority of the directors present in person shall constitute a quorum.

**SECTION 5. Action by Written Consent**—If and when the directors shall severally or collectively consent in writing to any action to be taken by the corporation, such action shall be as valid corporate action as though it had been authorized at a meeting of the Board of Directors duly convened and held.

#### Article III—Officers

**SECTION 1. Election of Officers**—The persons who shall from time to time be President, Vice President, and Secretary of the American Institute of Banking shall be respectively President, Vice President, and Secretary of this corporation. The Board of Directors shall annually elect a Treasurer who need not be a director or member.

**SECTION 2. Treasurer's Bond**—The Board of Directors may require the Treasurer to deliver and keep in force a bond in form, amount, and with sureties satisfactory to the Board, conditioned upon the faithful performance of his duties.

#### Article IV—Amendment of By-Laws

**SECTION 1.** These by-laws may be amended, altered, changed, added to, or repealed by the affirmative vote of a majority of the Board of Directors at any regular or special meeting of the Board of Directors, provided written notice of the proposed amendment shall have been mailed to each director at least five days prior to the date of meeting.

and to transact such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

*Dated at New York, N. Y., September 1, 1940*

FLOYD W. LARSON  
Secretary



## Newell Is Nominated For A.I.B. President

WHEREAS the current administration and the future growth of the American Institute of Banking call for experienced bankers with proven ability and sound judgment who have a full appreciation of the Institute's problems and

WHEREAS New York Chapter of the American Institute of Banking has the utmost confidence in the ability and leadership of George T. Newell, who now serves the Institute as National Vice-president; therefore be it RESOLVED that New York Chapter present the name of

**GEORGE T. NEWELL**

as candidate for the Presidency of the American Institute of Banking.

Unanimously adopted by the board of governors of New York Chapter on August 13, 1940.

CLINTON W. SCHWER  
President

CHARLES C. HULL  
Executive Secretary

Arthur W. Kohner, Wells Fargo Bank and Union Trust Company, San Francisco, California, has been added to the National Program Committee. He is chairman of the local 1941 convention committee.

Jack F. Wolf, State National Bank, Texarkana, Arkansas, has been appointed to the National Research Committee to take the place of James R. Bryant, formerly of the same bank. Mr. Bryant resigned from the committee, as he is leaving the banking field.



AUSTIN CHAPTER was treated to a watermelon party on July 10 by its public speaking club. Its gastronomical program was still further advanced by an ice cream party the latter part of August.

★

IS CHICAGO CHAPTER setting a new style? The votes for the 1940-1941 officers were tabulated by voting machines. This is a "first" in A.I.B. annals as far as we know.

★

CLARKSBURG CHAPTER has high hopes of stimulating interest in its fall courses by an enrolment dinner on September 28. A.I.B. President Dart will be the principal speaker.

★

CLEVELAND CHAPTER entertained a full house at its annual picnic at Euclid Beach Park on August 20. The prevailing sentiment was that every one had a perfectly grand time.

★

THE FAYETTE-RALEIGH-SUMMERS STUDY GROUP, one of our newest, had its first dinner meeting on July 10. Some sixty persons from the three West Virginia counties attended the banquet.

★

GARY CHAPTER combined business with pleasure on June 24 when it entertained its members with beautiful colored movies of Yellowstone Park and Florida following a report on the Boston Convention by its delegates. On July 27 thoughts of N.S.F. checks and spurious tender were banished by an evening of thrills at Chicago's Riverview Amusement Park. The summer program was happily concluded with a beach party at Ogden Dunes on August 14.

★

HUDSON COUNTY CHAPTER has been fortunate in securing the services of the entire past presi-

dents group to foster interest in their forum program. It is the first time that they have been able to get the entire group on a committee of this nature and they expect to go to town in a big way.

★

KANSAS CITY CHAPTER is planning a very ambitious program. A women's dinner, to be addressed by the chairman of the National Women's Committee, Miss Rose Ziph, is scheduled for August 29. The annual consul dinner, to which all consuls are invited and instructed in the activities for the coming year, will be held on September 4.

★

"In the spring a young man's fancies turn . . ." and in the summer a chapter's fancies turn to the great outdoors. MINNEAPOLIS CHAPTER, upholding the traditional trend, enjoyed a boat trip on the Mississippi on August 7 and its family outing at Excelsior Amusement Park on August 14. In addition to its fancies' turning, the chapter peregrinated to 250 McKnight Building, Minneapolis, Minnesota, which should quench its wanderlust somewhat.

★

NEW ORLEANS CHAPTER proudly points out that four of its members were honored by receiving national appointments. Those responsible for the chapter's rejoicing are: Edward C. Boyer, Associate Councilman for the State of Louisiana; O. J. Howat, Public Relations Committee member; Albert E. Jane, Publicity Committee member; and Harold W. Mischler, Departmental Conference Committee member. That's a record that few chapters can boast!

★

NIAGARA FALLS CHAPTER held its annual picnic at the Tuscarora

Country Club on July 24. Aquatic diversions were followed by a picnic supper and a treasure hunt which led the participants (and their autos) a merry chase over a circular course of some ten miles.

★

PHILADELPHIA CHAPTER had an "Old Timers' Dinner," in which homage was accorded to all who had helped to start the chapter on its successful road. Five of the ten men who organized the chapter in 1900 were present, in addition to representatives of every class from 1901 to 1939.

★

MOST OF SAINT PAUL CHAPTER was quite wet on August 21. Don't be alarmed; it was only the occasion of their annual swimming party at the University Club, and man has not yet solved the problem of swimming without getting wet.

★

SKAGIT-WHATCOM CHAPTER will invade the Skagit Golf and Country Club on September 21. Its purpose will be the strictly non-belligerent one of holding its annual kick-off dinner.

★

SPOKANE CHAPTER is sponsoring a large scrap book in which all news items and pictures about the chapter are placed. On the cover of the book has been engraved in large gold letters "A.I.B. Memoirs . . . Spokane Chapter."

★

Inaugurating a new type of membership program, SYRACUSE CHAPTER surpassed all previous enrolment records as a result of the membership campaign held during the last two weeks of July. Upsetting all predictions, the Syracuse Trust Company (148 employees) and the Lincoln National Bank (65 employees) both turned in 100 per cent membership to split the first prize award of \$25.

★

Riverview Beach, New Jersey, swarmed with WILMINGTON CHAPTER members one June night. The annual picnic supper was served at the Casino on the beach, and afterwards the scenic railways, scooters, and mechanical donkeys, not to speak of "Ye Olde Mill," came in for their share of enthusiastic patronage.

# National Committee Reports

## DEBATE COMMITTEE

R. D. Nowlin, *Chairman*

Progress in any line of endeavor is invariably the result of the desire of an individual or group of individuals to emulate or surpass the accomplishments of others, and since the members of this year's National Debate Committee have high hopes of bettering the marks of their predecessors, definite progress in local and interchapter debating should be achieved. A harmonious working together is necessary to achievement, however, hence the close cooperation of those interested in debate work is solicited by this committee.

At the time this report is being written a great deal of effort is being put forth to gather a large number of debatable questions from which can be selected those best suited to include in the national list of debate questions for 1940-1941. As a part of this effort local debate chairmen of all chapters active in debate last year are being contacted through the presidents of these chapters. Thus it is hoped to have a group of questions which will represent the wishes of all sections and chapters.

This year the chairman of this committee is assuming the responsibility of sending to the chairmen of all local debate committees in chapters sponsoring a debate group a copy of the rules of debate, the list of debate questions, forms for reporting qualifying debates, and a proper supply of judges' ballots. This material will be accompanied by a letter setting forth some of the ways in which the local committee can materially assist the national committee in carrying out its work.

## FORUM AND SEMINAR COMMITTEE

Raymond H. Blair, *Chairman*

The National Forum and Seminar Committee work for the coming year will be similar in scope to preceding years. We hope to match the

fine efforts of past national committeemen and their results during this year. Your committee has two new parts to play this year. The first is the establishing of permanent record charts, on a three-year basis, containing vital facts pertaining to each chapter's forum and seminar work. The second is the introduction of seminar procedure and practices. The addition of seminar work to this committee does not mean a let-up on forum work. It does, however, provide a plan for meetings similar to forums to be held for a series of weeks with well known practical speakers as leaders on certain planned subjects.

Very shortly every chapter forum committee chairman will receive from the National Forum and Seminar Committee a paper dealing with the plan and procedure for operating a seminar for his chapter. This paper considers in detail the operations, speakers, subjects, and costs of running a seminar in Bank Management. It is the hope of this committee to lay the groundwork for seminar work in many chapters this year.

Your committee will shortly provide a list of suggested subjects for forums. National Forum Week will be the last week in October, October 21-26. Plan a forum early this year, preferably during National Forum Week.

The national committeemen in your district will be willing to cooperate with all chapter forum committee chairmen.

## MEMBERSHIP AND ENROLMENT COMMITTEE

Martin J. Travers, *Chairman*

"Convinced that the educational program offered by the Institute is the best that sound and considered thinking can devise for the development and training of an efficient bank personnel, it will be our determination to extend its influence to an ever increasing number of bank men and women throughout the

country." These words of President Dart delivered at the Boston Convention set the keynote for the campaign of the Membership and Enrolment Committee. We realize that it would be "shooting at the moon" to try for 100 per cent membership of all bank employees, but it will be our endeavor to extend an invitation to enroll, or at least to become a member of the Institute, to every banker in cities, towns, and villages which have A.I.B. units.

Committee members have been supplied with statistics relative not only to the actual but also to the potential membership in their districts. Their first assignment is to assist the local membership chairmen in their fall campaign to enroll as many bankers as possible in classes and to attempt to bring others within the influence of the A.I.B. through membership, thus paving the way for future enrollment in regular or special courses.

After the initial drive is well under way, it will be our endeavor to gather information that will assist future committee members to become more readily acquainted with chapter statistics and problems.

## PUBLICITY COMMITTEE

W. M. Dorr, *Chairman*

The slogan of the National Publicity Committee for this year may well be summed up in the phrase "Drive, Not Dream." It is necessary that we concentrate on ever more effective publicity, laying a thorough groundwork on which the other committees may build. This attitude is best exemplified in the use of the new promotional material prepared for and distributed by the National Office. This new material includes effective posters, supplemented by pamphlets and blotters.

The National Publicity Committee feels that much valuable time is lost by chapters not appointing the chairmen of their key committees prior to the National Convention, or in the two weeks

immediately following it. Members of national committees are all set to serve, but their work is hampered because they do not know the membership of the local committees.

Chairmen of chapter publicity committees are urged to keep a complete file of all publicity used by their chapters, in order that displays may be prepared in May for the National Convention in San Francisco next June.

The National Publicity Committee places its personnel entirely at the disposal of the local chapters.

## PUBLIC RELATIONS COMMITTEE

Eben C. Johnson, *Chairman*

The new Public Relations Committee, which combines all of the features of the old Public Affairs Committee and Public Education Committee, will dedicate its time and energy to a program of public education which will reach as many

people as possible and acquaint them with the real aims and purposes of banking.

A new program was set up at the Boston Convention for coordinating the public relations activities of the local chapters with the state bankers' associations. Under this plan each state will have a public relations chairman working with the national committeemen through the local chapters for closer coordination of effort with the senior group. It is a big step forward which will be of great assistance to all chapters in furthering our aims.

At this writing, chapters throughout the Institute are being contacted and suggestions made for carrying on a program of education through every channel open to us. Since the future of American banking is so dependent on good public relations, it is the responsibility of every chapter and study group in the Institute to participate in the activity in some form.

Your district committeeman and your state chairman stand ready to assist you in building an effective public relations program.

## PUBLIC SPEAKING COMMITTEE

A. J. Deniger, *Chairman*

The American Institute of Banking, realizing the tremendous value of public speaking training to the banking fraternity, offers this training to its members, in addition to its curriculum for the study of banking and allied subjects. It is therefore a privilege of each member of the National Public Speaking Committee to do everything possible to increase the interest in this activity in all chapters throughout the country. We have pledged ourselves, by accepting our appointments, to help all chapters sponsor some form of public speaking activity this year. However, a successful year will depend upon the cooperation we receive from the local chairmen.

The members of this committee, throughout the year, will be in constant touch with all chapters and will be available for any information necessary to further public speaking work in each chapter, regardless of size. Therefore, Mr. Chapter President or Mr. Local Chairman, it will be very much appreciated if you will correspond with the member of this committee who is assigned to your district, place your problems before him, and give him an opportunity to help your chapter sponsor a class or a club, and to help with arrangements to insure your chapter's representation in your district's elimination contest next spring. If your first plans for a class do not materialize, we sincerely hope you will not give up, but will redouble your efforts, and strive to organize and sponsor a club.

## RESEARCH COMMITTEE

G. Fred Berger, *Chairman*

For the past several years the parent organization of the A.I.B., the American Bankers Association, has had in effect a Research Council under the chairmanship of Colo-

## CALENDAR

### General Meetings

Sept. 2-5	Texas Bankers Conference, University of Texas, Austin
9-13	Tennessee Bankers Conference, University of Tennessee, Knoxville
22-26	American Bankers Association Convention, Atlantic City
Nov. 7-8	11th Mid-Continent Trust Conference, Chicago
1941	
Jan. 21-23	Missouri Bankers Conference, University of Missouri, Columbia
June 2-6	American Institute of Banking Convention, San Francisco

### Chapter Banquets

Sept. ?	Cache Valley	I	Essex County
4	Gary	II	Hudson County
6	Forth Worth	8	Winston-Salem
12	Saint Paul	15	Bergen County
13	San Jose	15	Cleveland
14	Bluefield	19	Wichita
14	Central San Joaquin	April ?	Marin County, Washtenaw County
14	Huntington-Ashland		
14	Kansas City	16	Spokane
14	Tulsa	19	Albany
16	Napa Branch 31	19	Charlottesville
19	Austin	19	St. Louis
20	York	19	Sioux Falls
Oct. 17	Seattle	24	Omaha
Nov. 20	Fargo	May ?	Atlanta, Dallas, Evansville, Indianapolis, New Orleans, Niagara Falls, Santa Barbara, Ventura County, Youngstown
Dec. ?	Quincy		
1941			
Jan. 18	Norfolk-Portsmouth	3	Reading
25	Baltimore	7	Lorain County
25	Trenton	10	Anthracite
Feb. 1	New York	14	Portland
8	Richmond	15	Los Angeles
11	Clarksburg	15	Minneapolis
11	Nashville	17	Kansas City
15	Philadelphia	21	San Diego
21	Chattanooga	21	Litchfield County
22	Hartford	Aug. 15	San Francisco
22	Washington		
Mar. ?	Schenectady		

nel Leonard P. Ayres, which council has been operating most effectively in providing valuable information regarding banking for dissemination among member banks and the public.

As this Council has found it necessary to obtain certain data on which to base its surveys, it has depended upon questionnaire contact with member banks, which contact will in some cases be continued, as a direct source of information in certain matters under survey. However, there are times when a closer personal contact is more necessary than one based on a questionnaire, and it is to effect this type of contact that the Research Committee of the American Institute of Banking has been organized.

While, generally speaking, the activities of the Research Committee will be to provide such assistance as the Research Council of the A.B.A. may need from time to time in developing information regarding subjects under survey, there may also be times when from certain districts, or perhaps even from the entire country, the A.I.B. will need some information for use by its Executive Council, at which times the committee would also function.

The Research Council is engaged in its third loan survey, and our committee hopes to cooperate with it so that the excellent results obtained in the previous surveys may be surpassed.

As you know, the country is divided into eighteen A.I.B. districts and a member of the Research Committee has been appointed for each district. The territory covered by each district will be considered by each national committeeman along county line units in order to avoid overlapping and, by cooperation with chapter presidents and leaders of study groups in the various areas of each district, one or more members of a subcommittee of the Research Committee will be appointed so that each district will be covered by such subcommittee membership. In several counties, where there is no chapter or study group, steps will be taken to appoint a subcommittee member who will agree to cooperate with the national committeeman.

## WOMEN'S COMMITTEE

Rose Ziph, *Chairman*

President Dart has appointed the twenty-first National Women's Committee; so it is now of age.

There is much work to be done at this time of year, in building up our program to increase membership. Now is the time to put forth our best efforts. The members of the National Women's Committee have been active all summer taking part in the chapter presidents' conferences and making speeches and assisting local committee chairmen to establish a unity of interest between the men and women of the Institute who will carry on the purpose of banking education for all those engaged in banking.

The Women's Committee is preparing a folder of suggestions consisting of copies of articles which have proved useful in chapter work. This folder will be sent all incoming chairmen of chapter women's committees, in the hope that some of the ideas will be beneficial in solving local problems. There has been much demand for such material.

With all the political activity going on at this time, we were not surprised when called upon for a platform. We submit the following:

- (1) To increase banking education for women
- (2) To increase the number of certificate holders by emphasizing the need of completing the Standard courses and not being diverted from that objective by optional subjects
- (3) To keep the standard of education for bank women the same as for men
- (4) To bring about greater participation among the women in the administrative phase of A.I.B. work. This is important in developing executive ability

The National Women's Committee will strive to foster participation of women in public speaking and public education. The latter is an almost unlimited field for securing better public relations; while the first is a necessary preliminary for success in the latter.

The Women's Committee will work to further the ideals and objectives of the Institute.



## Scott Nominated

WHEREAS Albert F. Newman, of Providence Chapter, will retire from the Executive Council in 1941, and

WHEREAS his retirement will leave New England without a representative on the Executive Council, and

WHEREAS Boston Chapter, Incorporated, has among its members an Institute graduate who has served in all the elective offices of the chapter, is a graduate of The Graduate School of Banking, American Bankers Association, and

WHEREAS he is now serving his third term as Associate Councilman for Massachusetts, be it therefore

RESOLVED that Boston Chapter, Incorporated, of the American Institute of Banking, place in nomination the name of

DAVID T. SCOTT

as its candidate for the Executive Council of the American Institute of Banking at its 1941 Convention to be held in San Francisco, California.

By unanimous vote of the board of governors of Boston Chapter, Incorporated.

PARKER O. BULLARD  
*President*  
C. WILLA ROSS  
*Secretary*

OMAHA CHAPTER reports that another of its members has gone up a rung. Lewis McVea was recently appointed assistant cashier of the Omaha National Bank, Omaha, Nebraska. Congratulations!

# Our New Associate Councilmen

## THE APPOINTEES FOR 1940-1941 AND THEIR DISTRICTS

THE Associate Councilmen are appointed each year to facilitate the work of the members of the Executive Council. Each one, under the supervision of an Executive Councilman, is assigned to a particular section of the country. The needs of the various districts are kept in mind when the districts are allocated.

The names of the new appointees, together with the district to which each is assigned, are listed under those of the Executive Councilmen whom they serve.

### GARNETT CARTER

*Alabama*—Alton P. Barr, The First National Bank of Birmingham, Birmingham

*Florida*—None

*Georgia*—Ernest S. Lee, The First National Bank & Trust Company, Macon

*Mississippi*—Claude B. Yarborough, Capital National Bank, Jackson

*South Carolina*—Sam M. Ford, First National Bank, Greenville

### DAVID L. COLBY

*Colorado*—Claude L. Stout, Poudre Valley National Bank, Fort Collins

*Iowa*—Dale C. Smith, Central National Bank and Trust Company, Des Moines

*Missouri*

*Eastern*—Frank J. O'Riordan, Manchester Bank of Saint Louis, St. Louis

*Western*—Roland V. Petering, Mercantile Home Bank & Trust Company, Kansas City

*Nebraska*—Ernest T. Tanner, First National Bank, Omaha

### J. H. GORMLEY

*Idaho*

*Northern*—F. E. Osborne, First National Bank, Spokane, Washington

*Southern*—F. M. Baker, Idaho First National Bank, Boise

*Montana*—C. E. McGuinness, Union Bank and Trust Company, Helena

*Oregon*—George J. Greenwood, The Bank of California N.A., Portland

*Washington*

*Eastern*—F. E. Osborne, First National Bank, Spokane

*Wyoming*—J. C. Murphy, Albany National Bank, Laramie

### ERWIN V. HOLTON

*Arizona*—Hillman E. Morris, Phoenix Savings Bank & Trust Co., Phoenix

*California*

*Northern*—P. A. Doyle, Central Bank, Oakland

*Southern*—Floyd L. Geyer, California Bank, Los Angeles

*Nevada*—None

*Utah*—Jesse N. Hansen, Commercial Security Bank, Ogden

### C. EDGAR JOHNSON

*Illinois*

*Northern*—Howard S. Alsip, The First National Bank of Chicago, Chicago

*Southern*—Ray M. Cook, The First National Bank, Zeigler

*Indiana*

*Northern*—Frank J. DeVille, Fort Wayne National Bank, Fort Wayne

*Southern*—Byron D. Bowers, Indiana National Bank, Indianapolis

*Wisconsin*

*Chapters*—D. Wesley Correll, First Wisconsin National Bank, Milwaukee

*Study Groups*—Wall G. Coopman, 312 East Wisconsin Avenue, Milwaukee

### EDWARD F. MATTHEWS

*Delaware*—None

*District of Columbia and Maryland*—Howard M. Michel, First National Bank, Baltimore

*New Jersey*—Henry G. Wefer, Hudson County National Bank, Jersey City

*Pennsylvania*

*Eastern*—MacDonald Heebner, The First National Bank, Scranton

*Western*—Everett M. Jones, Farmers Deposit National Bank, Pittsburgh

### ALBERT F. NEWMAN

*Connecticut*—L. F. Brandely, The Waterbury National Bank, Waterbury

*Maine*—Donald O. Butler, Casco Bank and Trust Company, Portland

*Massachusetts*—David T. Scott, The First National Bank of Boston, Boston

*New Hampshire*—Paul N. Wormwood, Dartmouth National Bank, Hanover

*New York*

*Northern and Western*—Harold J. Marshall, National Spraker Bank in Canajoharie, Canajoharie

*Southern and Eastern*—Daniel F. O'Meara, The Public National Bank and Trust Company, 76 William Street, New York

*Rhode Island*—None

*Vermont*—Clyde H. Walcott, Burlington Savings Bank, Burlington

### WILLIAM C. PITNER

*Arkansas*—Thomas S. Vise, Union National Bank, Little Rock

*Kentucky*—To be appointed

*Louisiana*—Edward C. Boyer, National Bank of Commerce, New Orleans

*Tennessee*—T. S. Wiggins, National Bank of Commerce, Memphis

### ELMER W. POLLOCK

*Kansas*

*Eastern*—Harry P. Betzer, Citizens State Bank, Topeka

*Western*—E. L. Wulfmeyer, The Fourth National Bank, Wichita

*New Mexico*—Frank M. Harriss, Jr., El Paso National Bank, El Paso, Texas

*Oklahoma*

*Eastern*—C. E. Leaird, The First National Bank and Trust Company, Muskogee

*Western*—F. E. Sanders, The Liberty National Bank, Oklahoma City

*Texas*

*North Central*—W. Earl Harrison, The First National Bank, Waco

*Northeastern*—Herman W. Kilman, Federal Reserve Bank of Dallas, Dallas

*Southeastern*—J. Lee Cook, Federal Reserve Bank of Dallas, Houston

*Southern*—C. R. Spearman, National Bank of Commerce, San Antonio

### J. A. REAGAN

*North Carolina*—W. Frank Phillips, Commercial National Bank, Charlotte

*Virginia*—Hartwell F. Taylor, The Morris Plan Bank of Virginia, Richmond

*West Virginia*—Luther S. Berry, The Union National Bank, Clarksburg

### ELMER M. VOLKENANT

*Minnesota*

*North of Saint Paul*—J. C. Buckley, The Minnesota National Bank, Duluth

*Saint Paul and South*—S. J. Kryzsko, The Winona National and Savings Bank, Winona

*North Dakota*

*Eastern*—Carther Jackson, First National Bank, Grand Forks

*Western*—R. A. H. Brandt, First National Bank, Minot

*South Dakota*

*Eastern*—Fred Roesch, First National Bank of Aberdeen, Aberdeen

*Western*—Earl Keller, The Rapid City National Bank, Rapid City

### WILLIAM C. WAY

*Michigan*—Clifford Buchanan, Old Kent Bank, Grand Rapids

*Ohio*

*Northern*—Fred J. Botzum, The Firestone Park Trust and Savings Bank, Akron

*Southern*—E. Henry Hagner, Jr., The Fifth Third Union Trust Co., Cincinnati

*Western*—Wade S. Eley, The Toledo Trust Company, Toledo

## Post-Morteming the July Dykta Contest

Of course this summer has been a real scorcher and has wilted everything from the garden lettuce to the oh-so-starched collar of the Duchess of Windsor, but we never thought true Dykta-ers would surrender to the weather siege. Sad to relate, our returns fell off—statistically speaking, a fall of some 47 per cent from the July issue. Sadder still, no perfect scores were achieved, although the sting is somewhat alleviated by the comforting fact that eight questions were correctly answered by all contestants. A feat without parallel in the annals of Dykta!

Now to analyze the falls from wisdom. The Pomerene Act (question 3) concerns itself with prosaic bills of lading. We suspect that those who checked "exportation of wheat" did some fancy evolution—Pomerene, pomegranate, food, wheat.

A large contingent credited England with the oldest Parliament in the world (question 9), but that honor goes to Iceland, which established hers in the tenth century. England's Parliament was not established until the thirteenth century, which gives Iceland a good two-century start.

Halfway through Dykta, question 26 proved to be far more of a stumbling block than a resting place. Of the five statements only one is true, namely, "Honolulu is not situated on the island of Hawaii." All cartographers, of course, know that the island of Oahu is graced by Honolulu.

Harvard has many claims to fame, but it is not the oldest of the five colleges listed in question 39, despite the insistence of more than half the Dykta solvers. Harvard was established in 1636; the University of Mexico saw the light of day in 1553.

Cherishing a half-warmed fish (question 40) may seem like the height of absurdity and account for the oft-checked answer of "an untruth," but actually it's a spoonerism. The object of the cherishing was a half-formed wish.

It was King Lear who was originally described as "every inch a king" (question 47). But since he is also described as "a poor, infirm, weak, and despised old man" and the verdict concerning Louis XIV is that "he remains the model of a great king in all that concern the externals of kingship," we can scarcely blame those who took a stab (figurative, of course) at Louis.

That's all for now—except for a brief announcement: Dykta is to be discontinued for the time being.

### Key to July Quiz

1. (d)	11. (b)	21. (c)	31. (a)	41. (c)
2. (c)	12. (b)	22. (a)	32. (d)	42. (e)
3. (d)	13. (d)	23. (b)	33. (c)	43. (c)
4. (b)	14. (a)	24. (a)	34. (c)	44. (d)
5. (c)	15. (a)	25. (c)	35. (e)	45. (a)
6. (c)	16. (c)	26. (a)	36. (a)	46. (e)
7. (e)	17. (c)	27. (c)	37. (c)	47. (c)
8. (b)	18. (d)	28. (c)	38. (d)	48. (e)
9. (d)	19. (e)	29. (c)	39. (c)	49. (b)
10. (d)	20. (a)	30. (d)	40. (b)	50. (a)

## JULY DYKTA CONTEST WINNERS

### Hall of Fame

(90% or better—asterisks indicate those with highest score—98%)

CAMBER, VERNON E., Crocker First National Bank, San Francisco, California

DOUBLEDAY, JAMES M., New York Trust Co., New York, N. Y. GORDON, ROBERT B., Puget Sound National Bank, Tacoma, Washington

\*HAMMOND, J. A., JR., National Shawmut Bank, Boston, Mass.

KREYLING, FRED A., Federal Reserve Bank, St. Louis, Missouri

LAJON, (MRS.) LUCILE P., Hamilton National Bank, Chattanooga, Tennessee

\*LIVINGSTON, ROBERT D., American Trust Company, Sacramento, California

Row, E. ARDEN, Security-First National Bank, Los Angeles, California

SHACKELFORD, JAMES O., Federal Reserve Bank, Louisville, Kentucky

WATTS, RICHARD H., JR., National Bank of Hyde Park, Chicago, Illinois

WOOD, SUSIE E., First National Bank, Lynchburg, Virginia

### Roll of Honor

(80% to 90%)

CAMP, E. MARVIN, New York Trust Company, New York, N. Y. BROTHERTON, MARGARET E., Miners National Bank, Wilkes-Barre, Pennsylvania

DAVIS, CLYDE V., Citizens' National Bank, Linton, Indiana

DOWNIE, HELEN, Federal Reserve Bank, Little Rock, Arkansas FINNEY, PANSY E., Lincoln Bank and Trust Company, Louisville, Kentucky

HALL, GRACE L., National Bank of Commerce, Houston, Texas HERRICK, D. R., Wayne County Savings Bank, Honesdale, Pennsylvania

HOWARD, J. W., McDowell County National Bank, Welch, West Virginia

HUNSBURGER, GEORGE S., Provident Trust Company, Philadelphia, Pennsylvania

LONG, WILLIAM, Bank of Commerce & Savings, Duluth, Minn. OLYPHANT, MURRAY, Chemical Bank and Trust Company, New York, New York

POTTER, LAURENCE E., Second National Bank, Nashua, New Hampshire

ROBERTSON, CLARIBEL, United States National Bank, Portland, Oregon

SINGERS, R. STEWART, City National Bank & Trust Co., Chicago, Illinois

WHITE, MARY M., University National Bank, Seattle, Wash.

WORNER, ALBERT C., American Trust Company, San Francisco, California



"He wants to see about opening a savings account."

# California Calls

GEORGE T. NEWELL

GEORGE T. NEWELL is vice-president of the Manufacturers Trust Company, New York, N. Y., and vice-president of the American Institute of Banking. He is chairman of the Program Committee for the 1941 Convention.

**M**EMORIES of the Boston Convention are far too vivid for it to be classified as "just a memory,"—in fact, we won't forget the gracious hospitality of our hosts for a long time. But already we are looking forward to the delights which will be showered upon those attending the San Francisco Convention in 1941.

Monday, June 2, will see the end of another westward trek of the United States population when the hundreds of convention delegates pour from buses, trains, airplanes, and ships to attend the thirty-ninth A.I.B. convention. The delegates will spend Monday in getting settled and in viewing some of the scenic attractions of a most beautiful city set on 22 hills.

Each hill has its own special attractions—Nob Hill with its magnificent mansions, Pacific Heights covered with town houses, the famed Telegraph Hill from which all incoming vessels were seen and announced in the days gone by and which is now crowned by the splendid Coit Memorial Tower, Russian Hill lengthened by its tall skyscrapers, Rincon Hill in whose slopes are anchored the cables of the great San Francisco-Oakland Bay Bridge, Mount Davidson in the very heart of the city and rising almost a thousand feet above the sea which it overlooks—but why go on? Each hill has its own particular beauty and charm—all invite the sight-seer to enjoy the breath-taking cyclorama from their peaks—vistas of the island-studded Bay of San Fran-

cisco, glistening waters spanned by gracefully arching bridges, the blue Pacific, and majestic green mountains.

But here now, before we go on extolling the glories of San Francisco, let's scan the bill of fare. Monday night will witness the National Public Speaking Contest. The winners of the eight district elimination contests will compete for the A. P. Giannini Educational Endowment cash prizes. This will be the first time contestants have appeared before the bankers of the city which gave us our donor of these generous prizes. Carrying on the tradition, it will no doubt be an exciting session.

The convention will be formally opened on Tuesday morning with the first business session. Brief reports of work achieved will be given by the National Officers. Nominating speeches for the candidates will be heard. The morning's program will be concluded with an address delivered by an outstanding speaker.

Departmental and Institute Conferences will begin with luncheon on Tuesday afternoon. Each Departmental Conference will present able and experienced speakers discussing the many problems of bank organization and operation. The Institute Conferences will consider different aspects of chapter work. These conferences have proved to be the backbone of our convention and increasingly helpful to all those fortunate enough to be in attendance.

Another forensic treat awaits the delegates on Tuesday night when the two debate teams which have survived the ordeal of qualifying rounds and semi-finals match their wits, arguments, and persuasive abilities.

The administrative and educational problems of the chapters will be considered at the Institute Conferences



Left, looking across Union Square toward the St. Francis Hotel, headquarters for the 1941 Convention. Right, a bird's-eye view of downtown San Francisco, Treasure Island, and the Bay Bridge

to be held on Wednesday morning. Here delegates will exchange their opinions and listen to the experiences of other chapters in directing their increasing activities and broadening influences. At the same time Departmental Conferences will continue with their stimulating discussions.

Wednesday afternoon and evening the decks have been cleared for an outing to be arranged by the convention city. The program committee is investigating several attractive propositions, and the choice is a difficult one. It is certain to be tops in entertainment.

Thursday will be a busy day with conferences going on all morning and afternoon. Different phases of Institute work will be examined, and current questions in the banking field will be considered. In the evening regional caucus groups will hear the candidates for national offices on subjects having various degrees of applicability to the Institute. Questions will be asked designed to reveal the ability of the candidates who are assuming heavy responsibilities regarding our future. Relaxation from the strenuous day and evening will be afforded by dancing.

The convention will meet for the second and final business session on Friday morning. The delegates will hear an interesting speaker on a most appealing subject, in addition to reports from the chairmen of the various national committees. The eagerly awaited election results will be announced, to be followed by the installation ceremony for the newly elected National Officers and Councilmen.

Definite plans for Friday afternoon are still in abeyance but, of course, the farewell ball will be held on Friday night. "Au revoir" will echo as the delegates promise to meet again. And long will the "Symphony of San Francisco" echo in the ears of the delegates—the symphony played by the sing-song merry clang of the tiny cable cars as they chug up the hills of San Francisco. The Golden Gate of the West will more than fulfil the challenge and promise inherent in the exhortation to "Go west, young man, go west!"



SAN FRANCISCO CONVENTION & TOURIST BUREAU

*Above, San Francisco Beach as seen from Sutro Heights, one of San Francisco's 22 hills*



# Building Business for Your Bank

WILLIAM POWERS

*Mr. POWERS is Director of Customer Relations of the American Bankers Association.*

ALTHOUGH banks have made notable progress during the past ten years in improving the internal operations that produce their services, it is generally admitted that their business development methods are not so effective as they should be. Impersonal programs to build good will have been undertaken with more or less success. Advertising has done much to enhance the prestige of banks and to suggest items of service of value to business houses, car buyers, home buyers, owners of large estates, small borrowers, savings depositors, and others. Such activities provide a splendid foundation for getting business, but there still remains the problem of how to build a more personal and more productive selling effort on that foundation.

The apparent solution lies in making more resultful the contacts which bank officers and employees have with customers and prospective customers. The bank staff member, whether he is cashier, teller, bookkeeper, or whatnot, is the representative of the bank to the person whom he meets. It is within the power of such a representative, no matter what his position, to secure business which will be profitable to the bank. Unfortunately, the majority of bank people are not sales-minded. They do not know where to go after new business, how to go after it, or even, in some cases, how to recognize an opportunity for business when it is presented to them.

TO ASSIST banks in training their staff members to take a more active part in building the business upon which their livelihood depends, it was decided that a course in merchandising bank services should be constructed as a necessary customer and public relations activity of the A.B.A. For expert assistance the Association retained the services of Milton Wright, an author specializing in the fields of human nature and business, who has done considerable work in the preparation of sales training courses.

In order that the course might be a practical one, based upon experience rather than upon theory, extensive field work was undertaken. Here and there, specific banks have done outstanding jobs of merchandising particular services, and it was believed that a study of their programs would reveal methods which could be woven into the course and used to advantage by workers in all banks. A total of 80 banks were visited, and more than 200 men interviewed.

The information sought was included in a wide range of questions, of which the following are representative: How do you find prospective customers? How do you get them interested in a particular service? What do you say to them? What sales arguments have you found

most effective? What methods do you use to sell more services to present customers? How do you handle complaints? How do you overcome objections to your sales arguments? What technique have you found to be most resultful in getting business in specific cases? How do you train your staff members?

Facts brought out by the survey were illuminating and extremely valuable in developing the course along practical lines. The text, which has been developed for individual and group instruction within the banks, has been divided into ten units, each dealing with a particular phase of good will building or service merchandising.

The material has been written in a conversational style, citing many examples of actual conversations, designed to meet day-to-day conditions in the average bank. Since the aim has been to develop sales-mindedness in the entire bank staff, emphasis throughout has been laid upon what the individual worker says and does. The following chapter titles give an outline of the content of the text and the order in which the material is arranged:

- I. Getting Along with the Public
- II. Know Your Bank
- III. Working Together
- IV. Explaining Services and Charges
- V. Overcoming Objections
- VI. Constructive Refusals
- VII. Handling Complaints
- VIII. New Business from Old Customers
- IX. Getting New Customers
- X. On the Dotted Line

While the text is the backbone of the course, its mere presentation in printed form will not be enough to make all of the staff members of the banks sales-minded. The course must be taught, the principles and methods must be discussed, there must be an orderly, well-organized method of using the text in order to get the best results. The preferred method is by means of staff conferences or group meetings. To help the banks establish the proper instructional procedure, an additional unit in the form of a manual has been prepared for group leaders. This unit elaborates on the organization of staff conferences, the size and nature of conference groups, the responsibilities of key men in the conference program, sources of background material, and suggestions for recording and reporting business development information. It also treats, in considerable detail, the routine to be followed by the group leader in his group meetings.

*The booklets will be available for member banks before the end of this month. The price for the sets will range from \$2.50 for a single set to \$1.75 a set for orders of 100 or more. If you are interested in obtaining any number for your institution, write to A.B.A. headquarters at 22 East 40th Street, New York, N. Y.*

# Changes in Speaking Contest

## *Contestants Must Show Evidence of Research*

A. J. DENIGER

Mr. DENIGER is chairman of the National Public Speaking Committee of the American Institute of Banking and is connected with the Marine National Exchange Bank, Milwaukee, Wisconsin.

FROM its origin the primary objective of the American Institute of Banking has been the education of bankers in the theory and practice of banking and related subjects. Its success has been due largely to the untiring efforts of its leaders, who have constantly striven to raise the standards of the educational activity of the Institute.

The study of public speaking has proved to be a great help in promoting research in banking and economics. Accordingly, the Institute is desirous of conducting the National Public Speaking Contest on a basis which will still further stimulate study in these fields.

Those who participated in the National Public Speaking Contest from 1927 through 1931 were required to prepare an eight-minute speech on a subject which was announced early in the year. During those years no extemporaneous talk was expected of the contestants. The Administrative Committee of the A. P. Giannini Educational Endowment then decided to raise the standard of the annual contest for public speaking honors. In 1932 the time for the prepared speech was reduced to six minutes, and each contestant was required to deliver, in addition, a three-minute extemporaneous talk on a subject in which he was given thirty minutes' preparation immediately following the delivery of his main speech. The contests were conducted on this basis for nine years, 1932-1940.

The original idea in sponsoring public speaking contests was to encourage research and to develop public speakers in the banking profession. It is an admitted fact that memorized talks do not attain the desired goal; on the contrary, the present basis violates the principle of the contest idea. To eliminate the possibility of our public speaking events becoming merely elocution or oratorical contests, the Administrative Committee, at a meeting held at the annual convention in Boston last June, decided to change the preparation procedure.

THE PUBLIC speaking contests for the year 1940-1941 will be conducted on the following basis: The chairman of the National Public Speaking Contest will announce a general theme which will be sufficiently broad to permit a breakdown into three closely related subdivisions.

This general theme or subject will be announced as near January 1 as possible. All those who desire to compete will therefore have approximately one month in which to do research work on the general theme or subject.

On or about February 1, the first subdivision of the general theme will be announced to all chapters with instructions that the chapter contests must be held by March 18. This will give the chapter contestants approximately a month and a half for their preparation on the first subdivision of the general theme, which will be used by all chapters in their local contests. The winners of the chapter contests will then be given, on or about April 1, the second topic or subdivision of the general theme, which will be used by all contestants competing in the district contests. This will give all district contestants approximately thirty days in which to prepare for the district contests, all of which will be held on or before May 1. The district winners who will compete in the National Public Speaking Contest, will be given the final subject on the general theme before twelve o'clock noon on Monday of convention week at the meeting at which the contestants draw for positions in the final contest.

ONE SPECIFIC qualification of a winning talk will be evidence of research work done. Accordingly, contestants are encouraged to make use of notes in the chapter, district, and final contests. The judges will favor the contestant who refers to facts which he has recorded and who effectively and tellingly informs his audience of them.

A member who is selected by his chapter to represent it in the district contest without having competed in a local contest will be notified of the subject for the district event at the same time that the chapter winners are notified.

At no contest—chapter, district, or final—will the contestant be called upon to give an extemporaneous talk. All contestants in each contest will be required to speak on the assigned subject for ten minutes only.

Individuals whose opinion on the new procedure has been sought have expressed approval of the change and are of the opinion that it will create greater interest in public speaking activity and will tend to increase the number of participants in all contests throughout the country. It will definitely stimulate research, for, in order to handle a general topic, the participant must study all phases of the announced theme.

# Write Us!

ALL DRESSED UP and some place to go—that's the new **BULLETIN** of the American Institute of Banking!

But where it goes depends upon you, our readers. These columns are *your* columns. Every A.I.B. member will find an opportunity in these pages to express himself or herself. We urge you to use these pages.

The American Institute of Banking has organized chapters and study groups in every state in this country and in addition has members located in many foreign lands. With its 385 units, its 67,689 members, and its 46,318 enrolments, the Institute is recognized as the leading adult educational organization sponsored by private enterprise in the country.

Through its association with **BANKING**, the official publication of the American Bankers Association, the message of the Institute will reach more directly and forcefully bank officers, bank directors, and prominent business men throughout the country. The **BULLETIN** will thus become the most widely circulated banking organ in the country.

In addition to the editorial staff at the New York office, President Dart has appointed an Editorial Advisory Committee composed of active Institute members. This board will advise regarding the publishing of material that Institute readers desire and thus will

assist in determining the **BULLETIN**'s editorial policy and content.

As succeeding issues are published, we shall endeavor to give you, our readers, what *you* want. But in order to do that, we must know what you want. The Editorial Advisory Committee will try to keep its fingers on the A.I.B. pulse. Yet to make sure that the **BULLETIN** does become the publication you want it to be, we urge that you write us your desires, comments, and suggestions.

We want to make the **BULLETIN** truly representative of the Institute. We want to improve as we go along. Whenever and wherever possible, we shall endeavor to have the authors of our articles Institute members, or persons closely connected with Institute activities. But to do this we shall, of course, need the active cooperation of the membership.

So—send us photographs of your chapter activities.

Send us stories of what your chapter has done or is planning on doing that is unusual—stories that contain suggestions which will prove helpful to other chapters.

Send us stories, with photographs, which we can use as feature articles, such as the story of Central San Joaquin Valley Chapter in this issue.

If you like this new **BULLETIN**, write us. If you don't like it, be sure to write and tell us why.

Remember—this is your **BULLETIN**. With your help we can go places.

FLOYD W. LARSON

## Worthwhile Booklets That Are Yours for the Asking

### Factory Tour

Modern methods of making paper are photographically shown in an unusual nine-page, two-color folder that takes you on a "tour" through a large paper plant and explains cooking, bleaching, digesting, beating, washing, and other interesting phases of paper manufacture. The folder also tells of 14 different kinds of paper and the requirements each has been designed to meet. Selecting the right paper for a certain job, of course, is important in securing best results economically.

### Charm and Permanence

No, this one is not about the ladies (bless 'em), but about homes in general and copper roofing in particular. An attractive brochure, replete with illustrations (some in color), shows how copper may be adapted to the design of nearly any house and points out the advantages of this durable fireproof material. Recommended to those in the mortgage and real estate department who like to keep tabs on building material developments.

*We'll be glad to see that you get a copy of any or all of these booklets and folders, free of charge. Each one has been carefully selected for its special value to bankers. Simply send a letter or postcard request to Dept. BB, American Bankers Association, 22 East 40th Street, New York, N. Y.*

### Buy? or Sell?

What to do and when to do it, market-wise, is of prime importance these days. So, bond market recommendations are particularly timely. An impartial financial service has given us permission to make available to our readers, at no cost, an eight-page analysis and forecast of the bond market with definite buying and selling advice.

### Getting Things Done

Dictating to a machine may lack a certain amount of s-x app-l, but there are times when it can effect a real saving in money for the bank, and a saving in time for both the bank officer and his secretary. *Getting Things Done in Banks and Trust Companies* is the name of a four-page folder that outlines such savings in various banking departments—loan and discount, credit, trust, foreign, legal, investment, and so on. It tells how modern dictating methods can help banks improve the character of the service they render to their communities.

### Silent Salesmen

Window displays often provide a most effective form of "point-of-contact" selling. A new display service now enables bankers to lease animated, illuminated, and three-dimensional displays that are constantly on the job, promoting bank services that you select. These displays are changed each month, and as an added feature, the installation is handled by an express company. A four-page folder depicts various sample displays, gives costs.

